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Canada. Parliament.
Special joint committee on the Canada
pension plan.
Minutes of proceedings

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-65

SPECIAL JOINT COMMITTEE OF THE SENATE AND OF THE HOUSE OF COMMONS

Appointed to Consider and Report upon Bill C-136, An Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors.

Joint Chairmen: Senator Muriel McQ. Fergusson and Mr. A. J. P. Cameron (*High Park*)

MINUTES OF PROCEEDINGS AND EVIDENCE

(Meetings held during the adjournment of the Senate and of the House of Commons, as of January 12, 1965)

No. 12

TUESDAY, JANUARY 12, 1965

WITNESSES:

Messrs. J. E. E. Osborne, Technical Adviser to this Committee, S. M. Thompson, F.S.A. (*Retired*) and from *The Canadian Life Insurance Officers Association,* Messrs. H. L. Sharpe, B. T. Holmes, M. K. Kenny, J. L. Clare, D. E. Kilgour, G. R. Berry, G. E. Brown, J. M. Linnell, J. W. Popkin, J. A. Tuck, F. C. Dimock, R. A. Nix.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

21731—1

MEMBERS OF THE COMMITTEE FOR THE SENATE

Honourable Senator Muriel McQ. Fergusson, *Chairman*,
and Honourable Senators:

Blois
Boucher
Croll
Denis
Flynn
[1] Lang
Lefrançois
McCutcheon
Smith (*Queens-Shelburne*)
Stambaugh
Thorvaldson

MEMBERS OF THE COMMITTEE FOR THE HOUSE OF COMMONS

Mr. A. J. P. Cameron, M.P. (*High Park*), *Chairman*,
and Messrs.

Aiken
Basford
Cantelon
Cashin
Chatterton
Côté (*Longueuil*)
Francis
Gray
Gundlock
Howe (*Wellington-Huron*)
Knowles
Laverdière
Leboe
Lloyd
Macaluso
[2] McCutcheon
Monteith
[3] Moreau
Munro
Perron
Rhéaume
(Mrs.) Rideout
[4] Scott

Maxime Guitard,
Clerk of the Special Joint Committee.

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[1] Senator Smith (*Kamloops*) replaced Senator Lang on December 17, 1964.
[2] Mr. Enns replaced Mr. McCutcheon, on December 18, 1964.
[3] Mr. Morison replaced Mr. Moreau, on December 18, 1964.
[4] Mr. Prittie replaced Mr. Scott, on December 18, 1964.

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ORDER OF REFERENCE
(The Senate)

THURSDAY, December 17, 1964.

With leave of the Senate,

The Honourable Senator Beaubien (*Provencher*) moved, seconded by the Honourable Senator Taylor (*Norfolk*):

That the name of the Honourable Senator Smith (*Kamloops*) be substituted for that of the Honourable Senator Lang on the Joint Committee appointed to consider Bill C-136, intituled: "An Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors"; and

That a Message be sent to the House of Commons to inform that House accordingly.

The question being put on the motion, it was—
Resolved in the affirmative.
Attest.

J. F. MacNEILL,
Clerk of the Senate.

ORDERS OF REFERENCE
(The House of Commons)

FRIDAY, December 18, 1964.

Ordered,—That the names of Messrs. Morison, Enns and Prittie be substituted for those of Messrs. McCutcheon, Scott and Moreau on the Joint Committee on the Canada Pension Plan.

THURSDAY, December 17, 1964.

Ordered,—That the quorum of the Joint Committee on the Canada Pension Plan be further reduced to 10 Members, only for the time during which the House of Commons shall recess, provided that both Houses are represented.
Attest.

LEON-J. RAYMOND,
The Clerk of the House.

21731—1½

REPORT TO THE SENATE

THURSDAY, December 17, 1964.

The Honourable Senator Fergusson, from the Joint Committee of the Senate and House of Commons appointed to consider Bill C-136, intituled: "An Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors", presented the second report of the aforementioned Joint Committee, as follows:—

WEDNESDAY, December 16, 1964.

The Joint Committee of the Senate and House of Commons appointed to consider Bill C-136, intituled: "An Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors", makes its second Report, as follows:

Your Committee recommends that its quorum be reduced to ten (10) members for the time during which the Senate shall recess, provided that both Houses are represented.

All which is respectfully submitted.

MURIEL McQ. FERGUSSON,
Joint Chairman.

With leave of the Senate,

The Honourable Senator Fergusson moved, seconded by the Honourable Senator Leonard, that the report be adopted now.

The question being put on the motion, it was—
Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

(Concurred in on Wednesday, December 17, 1964.)

REPORT TO THE HOUSE

THURSDAY, December 17, 1964.

The Special Joint Committee of the Senate and of the House of Commons on Canada Pension Plan has the honour to present the following as its

SECOND REPORT

Your Committee recommends that its quorum be further reduced to 10 members only for the time during which the House of Commons shall recess, provided that both Houses are represented.

Respectfully submitted,

A. J. P. CAMERON,
Chairman.

(Concurred in on December 17, 1964.)

(Meetings held during adjournment of the House)

MINUTES OF PROCEEDINGS

TUESDAY, January 12, 1965
(20)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 2:35 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Boucher, Croll, Denis, Fergusson, Lefrançois, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh (8).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Côté (*Longueuil*), Francis, Gray, Gundlock, Howe (*Wellington-Huron*), Knowles, Laverdière, Leboe, Lloyd, Macaluso, Monteith, Morison, Munro, Perron, Prittie, Rhéaume (23).

In attendance: Mr. H. L. Sharpe, President and Managing Director of the Northern Life Assurance Company of Canada, of London, Ontario, and President of the Canadian Life Insurance Officers Association; Mr. M. K. Kenny, President of the Excelsior Life Insurance Company, Toronto, and First Vice-President of the Association; Mr. B. T. Holmes, Vice-President and Chief Actuary of the Confederation Life Association, Toronto, and Chairman of Association's Old Age Security Committee; Mr. D. E. Kilgour, President of the Great-West Life Assurance Company, Winnipeg; Mr. G. R. Berry, Vice-President and General Manager of the Metropolitan Life Insurance Company, Ottawa; Mr. G. E. Brown, Senior Vice-President of the Sun Life Assurance Company of Canada, Montreal; Mr. J. M. Linnell, Group Manager of the Standard Life Assurance Company, Montreal; Mr. J. W. Popkin, Economist, Sun Life Assurance Company of Canada, Montreal; Mr. J. L. Clare, Assistant Group Actuary, Confederation Life Association, Toronto, Mr. J. A. Tuck, Q.C., Managing Director and General Counsel, the Canadian Life Insurance Officers Association; Mr. Frank C. Dimock, of Toronto, Actuary, Secretary of the C.L.I.O. Association, and Mr. R. A. Nix, Actuary, C.L.I.O.A.

Also in attendance: Mr. J. E. E. Osborne, Technical Adviser to this Committee.

The Joint Chairman opened the meeting.

The Committee agreed to have printed as an appendix to this day's Minutes of Proceedings and Evidence, a document intituled "Replies to questions raised during the morning session, December 15, 1964, of the Special Joint Committee on the Canada Pension Plan". (*See Appendix A2*)

Mr. B. T. Holmes was asked by the Chairman to make a statement before being questioned.

Then it was agreed by the Committee that the letter and the brief submitted by the Canadian Life Insurance Officers Association be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix A3*)

The Committee decided that the following books, tabled by the witnesses, become part of the records of the Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan, namely: "A Lesson in French—Inflation", by Melchior Palyi; and "International Financial Statistics, December 1964 International Monetary Fund".

The Committee agreed unanimously that Mr. Robert A. Nix's brief be filed with the Committee.

And the examination of the witnesses continuing, at 5:15 o'clock p.m. the Committee adjourned until 8:00 o'clock p.m. this evening.

EVENING SITTING

(21)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reconvened at 8:07 o'clock p.m. this evening. The Joint Chairman of the Senate section, Senator Fergusson, presided.

Members present:

Representing the Senate: Honourable Senators Croll, Denis, Fergusson, Lefrançois, Smith (*Kamloops*) (5).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Côté (*Longueuil*), Francis, Gray, Howe (*Wellington-Huron*), Knowles, Leboe, Lloyd, Macaluso, Monteith, Morison, Munro, Prittie, Rhéaume (20).

In attendance: The same as at this afternoon's sitting, and Mr. S. M. Thompson, retired, of Toronto.

The Joint Chairman invited Mr. Thompson to make a preliminary statement before being questioned.

The Committee agreed that Mr. Thompson's brief be printed in its entirety as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix A4*)

The examination of the witness being completed, the Joint Chairman thanked Mr. Thompson who retired.

The witnesses from the Canadian Life Insurance Officers Association were then recalled and questioned.

The examination of the witnesses continuing, at 10:20 o'clock p.m. the Committee adjourned until 10:00 o'clock a.m. on Wednesday, January 13, 1965.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

TUESDAY, January 12, 1965.

The CHAIRMAN (*Mr. Cameron*): Ladies and gentlemen, we have a quorum.

I understand Mr. Aiken wishes to speak to the committee for a minute or so.

Mr. AIKEN: Mr. Chairman, I had written a letter to the Joint Chairmen when the original schedule was put out. At that time it seemed that the number of meetings scheduled for some very important organizations did not leave sufficient time for proper hearing of the briefs and that we were not being fair either to those appearing or to the members of the committee. However, in the meantime there has been a rescheduling and I understand also the steering committee this morning has made some arrangements which will relieve the situation, certainly for today and tomorrow because some briefs are not being presented which originally had been scheduled.

Therefore, at the moment I merely wish to let this matter stand and see how we get along.

The CHAIRMAN (*Mr. Cameron*): Thank you, Mr. Aiken.

Mr. Osborne has handed to me replies to questions raised during the morning session on December 15, 1964. I do not need to read this. Is it the wish of the committee that this be filed as an appendix to today's Minutes of Proceedings and Evidence?

Agreed.

The CHAIRMAN (*Mr. Cameron*): Ladies and gentlemen, I have the pleasure of introducing the representatives of the Canadian Life Insurance Officers Association. I am not going to introduce these gentlemen, but I will first of all call on Mr. Sharpe, who is the president and managing director of the Northern Life Assurance Company of Canada, London, Ontario, and president of the Canadian Life Insurance Officers Association. He will not only introduce himself, but also those who will be here with him.

Mr. H. L. SHARPE (*President, The Canadian Life Insurance Officers Association*): Mr. Chairman, hon. members and hon. senators, I propose to introduce the members of our delegation and then turn the discussion over to the chairman of our old age security committee, Mr. B. T. Holmes. Before I do so, however, I would like to say that we appreciate very much the opportunity of making the submission to this committee and also being here today.

I now propose to read the names of the individuals who are with me today. At my left is Mr. B. T. Holmes, vice president and chief actuary, Confederation Life Association, Toronto, and chairman of our association's old age security committee. On my right is Mr. D. E. Kilgour, president, The Great-West Life Assurance Company, Winnipeg. Next to him is Mr. G. R. Berry, vice president and general manager, Metropolitan Life Insurance Company, Ottawa. Next to him is Mr. G. E. Brown, senior vice president, Sun Life Assurance Company of Canada, Montreal; Mr. J. M. Linnell, group manager, The Standard Life Assurance Company, Montreal; Mr. M. K. Kenny, president, The Excelsior Life Insurance Company, Toronto and first vice president of the Canadian Life Insurance Officers Association; Mr. J. L. Clare, assistant group actuary, Confederation Life Association, Toronto; Mr. J. A. Tuck, Q.C., managing director

and general counsel, The Canadian Life Insurance Officers Association; Mr. F. C. Dimock, secretary of the Canadian Life Insurance Officers Association, and, lastly, Mr. R. A. Nix, actuary of the Canadian Life Insurance Officers Association.

That is our delegation, Mr. Chairman.

The CHAIRMAN (*Mr. Cameron*): Thank you very much.

We will now have the pleasure of hearing from Mr. Holmes.

Mr. B. T. HOLMES (*Chairman of Old Age Security Committee, The Canadian Life Insurance Officers Association*): Thank you, Mr. Chairman and ladies and gentlemen of the committee.

We have been following the work of your committee with a great deal of interest and attention as you have made your way through the complexities of Bill No. C-136 with the very able help of experts from the civil service.

Our association last appeared before a committee of this description in 1950 when we appeared before the King-Lesage committee, and at that time we strongly supported contributory old age pensions. The type of contributory old age pensions we supported were along lines very close to those which the King-Lesage committee finally recommended to the government of the day, which the government of the day recommended to parliament and which parliament passed in the form of old age security.

We feel our appearance today would be more profitable to you if we do not attempt to deal with the detailed clauses of Bill No. C-136, although we are in your hands in this respect. We feel it would be more profitable if we present to you certain general concerns which we have about the Canada pension plan proposal in general in contrast to the old age security approach to the problem which we have been using in Canada in the past 12 years.

We hope it will be possible to devote most of our approach to discussion of these basic premises and the reasons we think an alternative approach to welfare during old age, welfare for widows, and welfare for the disabled would be better than the Canada pension plan approach.

You have asked that we summarize our brief today. In our brief, in section II, there is a summary. With your permission I would like to read that and then refer very briefly to section VII which does contain an indication of the course we would have preferred Canada to follow. So, reading section II, the summary is as follows:

> 7. The life insurance companies contend that the proposed Canada Pension plan is a poorly designed welfare measure. They believe that adjustments in, and additions to, the present old age security program would meet the needs of Canadians more satisfactorily and more economically.
>
> 8. The essential differences between the old age security program and the proposed Canada pension plan are:
>
> (*a*) When the old age security program was introduced everyone age 70 and over received benefits. The Canada pension plan would provide nothing for today's aged.
>
> (*b*) Old age security provides benefits for everyone reaching a stated age. The Canada pension plan benefits would be based on earnings and Canadian not in employment and those with low earnings would receive nothing.
>
> (*c*) Old age security benefits are the same for everyone. The Canada pension plan benefits would rise with earnings and thus provide the most for those least in need.
>
> (*d*) Old Age Security creates bonuses for the needy in that the special taxes they pay to support age security are less in value than the benefits they draw. The Canada pension plan would provide the largest bonuses to those with the highest pensionable earnings.

These differences arise from the basic misconception that an earnings-related plan can be the most satisfactory welfare measure for Canada. It cannot be. Such a plan cannot be universal and its benefits cannot be geared to the needs of the aged because these needs are normally greater for those persons whose earnings were the least during their working years.

9. The Canada Pension Plan approach compares unfavourably with the old age security approach in a number of other respects:

(*a*) The cost of this year's old age security benefits can be, and is, paid for from this year's taxes. Canadians and their government know exactly where they stand and are not leaving deficits for succeeding generations. The Canada pension plan financing would involve a pushing forward of costs from generation to generation.

(*b*) The structure of old age security is clear and simple and the effect of proposed increases in benefits or adjustments of the commencement age are readily discernible. The Canada pension plan's proposed structure is very complicated and would be bound to become unstable. Pressures to use the fund to fill in the gaps in the plan's cover would certainly develop. If these succeeded, the fund would have to be rescued by an increase in the payroll tax.

We feel that is certain to develop.

(*c*) The administration of old age security is simple. In contrast, the administrative problems for the Canada pension plan would be substantial.

(*d*) Integration of old age security and private pension plans is straightforward. Integration of the Canada pension plan and many of the private plans would be complicated.

10. Among the economic implications of the Canada pension plan, one of the most serious is the precedent that would be set by the indexing of benefits. Surely the adoption of this principle would be an open admission that inflation may not be controllable.

I think you will note from our later discussion of this that we are not at all opposed to the condition of the aged being brought up to date with the current situation in the economy. We just feel that formal indexing does add to the fires of inflation.

11. Finally, the addition of the Canada pension plan to old age security would result in nearly one-half of the population having little incentive to supplement by private saving the retirement income to be provided by their government. This would be a large scale surrender of individual initiative and responsibility.

Now we do develop these points in sections III to VI and in the appendices to our brief. We try to stress the places where our concern about the Canada pension plan approach is the greatest. Finally, in section VII we have put forward our view as to another practical course. We do not pretend that this is the only practical other course. We feel under some obligation to suggest a practical alternative to you, and we put forward a practical alternative which appears to us to be the best way to meet the situation at the present time.

This practical alternative that we recommend to you is of importance to all. We prefer it, because it is universal and uniform in its application to all Canadians. We have included the cost estimate for it which shows it to be considerably less costly than the Canada pension plan, but we have simply placed it before you to illustrate what we think would be a practical alternative to the Canada pension plan approach which we feel has the cause within it for very great concern. Thank you, Mr. Chairman.

The CHAIRMAN (*Mr. Cameron*): Thank you, Mr. Holmes. As members of the committee know, it has been agreed that when a witness is called or presents a brief at our request, that his brief will be appended to the day's proceedings as a part thereof. So I take it that it is now in order that we instruct that this brief be added, along with the letter from Mr. Sharpe addressed to the members of the committee, and that they be filed and appended to today's minutes as part of our proceedings. Is that agreed?

Agreed.

Mr. SHARPE: I owe your committee an apology owing to the fact that I failed to introduce Mr. J. W. Popkin, economist of the Sun Life Assurance Company.

The CHAIRMAN (*Mr. Cameron*): Thank you very much. You may proceed in any way you desire in dealing with the matter, before we enter into questions. I think you said that some others might wish to make statements to the committee. Is that right?

Mr. HOLMES: Unless they wish to add to the statement we have made, we are in your hands. Some others of the delegation may wish to add some remarks.

Mr. D. E. KILGOUR (*President, The Great-West Life Assurance Company, Winnipeg*): Mr. Chairman, the key to the association's submission is stated in the summary where we say that in our judgment the Canada pension plan is a poorly designed welfare measure, and then the brief undertakes to document that view.

I think this proposition is very vividly illustrated. If those of you which have the brief before you would kindly turn to page 15 you will see a profile of old people in Canada in 1976, which is 11 years hence. You will observe that in 1976—when there will be 1,880,000 Canadians aged 65 or over—two thirds of retired persons will not be drawing one cent from the Canada pension plan, and in fact 32 per cent of those retired people will be getting an average benefit of just $45 a month. There will be aproximately one and one-half per cent of the retired population who will be getting a benefit of the order of $119 per month. In our view this would be an untenable position for a Canadian parliament to accept, that 67 per cent of our old people would be receiving nothing from this massive welfare measure which draws $600 million a year from the Canadian taxpayers.

Therefore, if I might add to what Mr. Holmes has said, we have tried to make to this a thoughtful and well documented judgment of the Canada pension plan, and after careful examination of the plan we do not think it does the job. Perhaps if members of the committee would care to query or question or challenge any of the premises with which we have tried to document this brief in arriving at this judgment, that might be the most helpful thing which could be done this afternoon.

The CHAIRMAN (*Mr. Cameron*): What we propose to do is to allow members of the committee to question Mr. Holmes and other members of the delegation, on matters arising out of the brief and submissions that have been made, and we shall proceed in this way, when we recognize the members and they put their hands up. In order that there will be a fair division of time, we would ask each one not to spend more than from three to five minutes on his questions, and then to pass on to the next person, and then there will be a second round, and if necessary a third round. I shall ask the clerk to keep a record of it. I see that Mr. Aiken is the first one who wishes to ask a question.

Mr. AIKEN: Mr. Chairman, I have several questions, but I shall go into just one of them at the moment and take the others in turn. In the introduction to the summary the association describes the Canada pension plan as a welfare measure. Now, up until this moment, I had not understood the Canada pension

plan to be a welfare measure at all. I had understood it to be a contributory plan, and that it was not intended as a welfare measure. I wonder if one of the witnesses could explain in what way it is felt that the plan is a welfare measure? In other words, is it the feature of early maturity in transition, and the fact that it would give more benefits to one than to another? Or is it in the indexing or in the survival disability benefits, or along what lines is this classified as a welfare measure?

Mr. HOLMES: In reply to Mr. Aiken I think that perhaps some of the delegation might read to the committee a certain statement in regard to it, which made us feel that the people of Canada were being led to understand that there is a welfare objective behind this proposal, and what they understand, of course, is quite important. Frankly we do not think that Canada should look at itself as simply a large insurance company. Tender has a much bigger responsibility than that. But if the proposed plan were purely an annuity or an insurance measure, we feel that the same principle would apply as in insurance generally, or in the annuities branch of the dominion government; that is, the moneys paid in by a particular employee or by his employer on his behalf would be allotted to provide benefits for him. Now, there would be insurance elements in such a private arrangement, but nevertheless the money for any particular man would go to him and to his beneficiaries. The moment that the so-called Canada "pension" plan, as it does, introduces things like early maturity, or more for the married than for the single man although the contributions are to be the same, and the indexing of benefits, then it does move away from any resemblance to a private plan. The minute that these elements are introduced into something which Canada does, we feel it is most important that any redirection of resources should be not for those who are relatively better off but rather for those who are relatively worse off. We do not think any government plan ever has been, and we do not think it should be, fully operated on the business principle. That is because people do not regard their government as a great big insurance company. If government intervenes directly in a situation we think that some welfare redirection is expected by the people of Canada. This, together, I think, with certain statements made with regard to the Canada pension plan, is the reason that we regard it as a welfare measure.

I think, Mr. Kilgour, you might like to make some comment.

Mr. D. E. KILGOUR: We know it is a very complex measure but the official summary and explanation of the bill presented at the first reading very clearly implied that it is a broad welfare measure, and I will quote.

> The general effect of this complex bill is to provide for a nation-wide system of social insurance which will establish a basic level of security for all Canadians, whatever their individual circumstances, whatever moves they make, and whatever economic changes occur.

To me this promises welfare to all Canadians.

Mr. AIKEN: May I ask one supplementary question before I leave? Would it be fair to say that this plan, if it is a welfare measure, is not the type of welfare we have become accustomed to as a measure that assists the poor and needy at the expense of the well-off?

Mr. HOLMES: Perhaps it may be that something such as "social insurance" should be substituted for "welfare" in our brief. We have debated this point. We feel that the great bulk of the welfare measures in Canada, including old age security, are given to the people generally as of right. They are a community project. There is no stigma whatever attached to receipt of benefits. It is Canada's way of solving certain practical problems.

If the word "welfare" implies helping solely the needy or down and out, I am sorry; we do not mean that.

Mr. AIKEN: You do not feel that is the effect of this plan at all?

Mr. HOLMES: We do not feel that the Canada pension plan has much welfare effect in the narrow sense of the word. We feel the community of Canada, as other organizations in Canada, is trying as a group to meet certain problems as it moves ahead in its busy life, and we want to find out what is the best way of doing certain things together.

Hon. Mr. CROLL: Mr. Chairman, may I put a question to Mr. Kilgour?

The CHAIRMAN (*Mr. Cameron*): I have first on my list Mr. Munro, Mr. Francis, Mr. Rhéaume, Mr. Prittie and Mr. Lloyd. I now have you on my list, Senator Croll, and now Mr. Knowles.

Mr. MUNRO: I would like to ask Mr. Holmes a question referring to the summary he was reading which appears on page two under (*b*) dealing with old age security:

> Old age security provides benefits for everyone reaching a stated age. The Canada pension plan benefits would be based on earnings and Canadians not in employment and those with low earnings would receive nothing.

Mr. HOLMES: That is right.

Mr. MUNRO: In that paragraph are you taking into consideration the fact that you must be assuming that all these Canadians to whom you are referring will never during all their working lives earn more than the basic exemption of $600?

Mr. HOLMES: I do not think we are assuming that, Mr. Munro. People who earn more than the basic exemption of $600 in any year, of course, do come into the plan to the extent that their earnings exceed $600 in that year. There are Canadians who will never share the benefits in any way. There are other Canadians with small incomes who will share in a very small way. It is the fact that the benefits are based on earnings that we are trying to bring out in this subparagraph (*b*).

Mr. MUNRO: May I follow that on, Mr. Chairman?

Surely at some period many of these Canadians would earn over $600 a year and, based on that contention, which I would think is logical, I would think this is a pretty wide sweeping paragraph.

I would also like if I may, Mr. Chairman, to comment on (*c*). That paragraph states:

> Old age security benefits are the same for everyone. The Canada pension plan benefits would rise with earnings and thus provide the most for those least in need.

I note in appendix I of the same submission, which appears on page 29, it is indicated by the columns dealing with expected retirement income from government at age 65 and the totals for the Canadian pension plan and the old age security, that the low income man—an income of $1,200—will receive, a pension actually of 127 per cent, or 27 per cent, I assume, over what he made prior to retirement. Those percentages drop steadily as one goes down the column to $5,000 for which we see the total of 49 per cent.

I wonder how Mr. Holmes reconciles that with his statement that this benefits those least in need.

Mr. HOLMES: Yes, Mr. Chairman, if you will look at that page you will see that the low paid man is obtaining the bulk of his support from the old age security plan, the plan that we favour. We are pointing out that individuals who are off the income scale here are not receiving any help from the Canada pension plan at all. That is the point we are making.

Mr. MUNRO: If Mr. Holmes does regard this plan as a welfare measure, does he think it reasonable to completely divorce it from all the other welfare measures there are now in the country? I would suggest it is not reasonable and it is perfect justification for taking into consideration the old age security plan, which I would think was taken into consideration by the people who designed the Canada pension plan.

I wonder if you have any comment to make?

Mr. HOLMES: Obviously we go along with you in this feeling because we think what we should be doing is improving and revising the old age security, which involves taking the present old age security provision very much into consideration in any change. If you drop down below the $1,200 level another $600, of course you come to a place at which the Canada pension plan does nothing.

Mr. MUNRO: In other words, Mr. Chairman, may I take it as the conclusion of Mr. Holmes that when he looks at his own figures on appendix I he prefers to come to his conclusion in (c) based on the Canada pension plan alone and to completely divorce it from any consideration of the old age security? I would suggest that is the manner in which you have justified the conclusion you have come to in (c).

Mr. KILGOUR: May I make one comment on that? There are two points which can be brought out. First, it is said that the lower income groups will receive nothing from the Canada pension plan. I think this flows from the fact that there are at least two million in our labour force not paying personal income tax. There may be very many of those who in fact earn more than $600 a year. If I recall the figures, there are 177,000 farms in Canada in which the gross income is less than $2,500, and many of these farmers have families to support. They probably have earnings in excess of $600 a year but whether they have books and whether they have records of income and expenditure on which they can in fact and will in fact file a tax return and pay 3.6 per cent of their income over $600 is I think a highly debatable question. Many of them would not have the resources to pay the tax and would not in fact put in tax returns because they are not now taxable. Many of the same income group have worked for a number of employers. Undoubtedly that group embraces the poorest 25 per cent or 30 per cent in Canada. They will not get any significant benefits from the Canada pension plan. This I think is the premise for saying that those most in need get little or nothing from the plan.

Mr. MUNRO: Mr. Chairman, if I may comment on that to Mr. Kilgour I would say that I think if the plan has the rich benefits that are referred to throughout the brief there would be considerable encouragement to those not keeping books, and who are earning over $600, to start keeping books so they can participate in these rich benefits. Is that not a fair assumption?

Mr. AIKEN: I know a number of farmers who will not do so.

Mr. KILGOUR: There are only three provinces in Canada which are today attempting to collect hospitalization premiums, and this is an immediate benefit with highly subsidized premiums. The other provinces did not try to collect premiums from the majority of their population. There are only three trying to collect premiums today, and in this case they are modest premiums and known to be highly subsidized and the benefits are of a kind very likely to be used in the near future. A pension benefit 30 years hence may not seem an incentive for sending in money you cannot very well afford to get along without.

Mr. FRANCIS: I have a number of questions, and first I would like to ask a question relating to the obvious preference for the old age security approach, which I believe is expressed in the brief if I have interpreted it correctly.

This statement is made in paragraph 9:

> (*a*) The cost of this year's old age security benefits can be, and is, paid for from this year's taxes. Canadians and their government know exactly where they stand and are not leaving deficits for succeeding generations. The Canada pension plan financing would involve a pushing forward of costs from generation to generation.

I made some inquiries of the old age security fund for a period of 12 years. Of those 12 years there was a surplus in two and in every other year there was a deficit. I found a situation which substantially on face value needed some explanation. I wonder if Mr. Holmes would like to comment.

Mr. HOLMES: Yes. I do not think there has been any year in the 12 or 13 years during which Canada has been operating the old age security in which the government has not known quite clearly a year or two years ahead almost exactly what the bill would be for old age security. We can forecast what it is likely to be many years ahead.

Mr. FRANCIS: Excuse me, did I understand the witness to say that we could forecast the bill for many years ahead?

Mr. HOLMES: For old age security.

Mr. FRANCIS: Well, with all due respect—

Mr. HOLMES: The deficits which have occurred in old age security we would regard as quite modest in amount. Parliament, on a number of occasions in the last 10 or 12 years, in its wisdom has decided to increase the benefit during a year and to leave the charge or the contribution rate unchanged. But, I am quite sure that anyone who asked could have been told what was needed in the way of contributions to cover the cost of the old age security benefits during the coming year or years. If you look at the amount by which there has been a variation from the tax intake in old age security and, let us say, compare that situation with the Canada pension plan's possible increase in contribution at an unknown time 20 or 30 years from now, I do not think they are of the same dimension at all.

Mr. FRANCIS: It would appear that if you projected both programs for the same time period ahead, there would be a greater degree of variation in yields from the old age security tax 20 years ahead. I do not see how anyone could project the yield for 20 years on the formula of gross income tax, sales tax and personal income contributed to old age security. If you set up a similar type of projection for the Canada pension plan I would find it hard to accept that there would be a greater margin of unpredictability in the Canada pension plan. I would like your comments on this.

Mr. HOLMES: Well, you are speaking of the way the contributions are collected. I might say on this point that when we appeared before the King-Lesage committee a number of ways of collecting the contributions for old age security were considered. One of them was a payroll tax, which you are now proposing in the Canada pension plan. We expressed no preference with regard to the actual method to be used in obtaining contributions for the contributory old age security plan. The government of that day and, in its wisdom, saw fit to adopt three methods of collecting contributions. The collections did tend to go up and down to some extent with good times and bad times, but the actual cost of the old age security benefits is fairly predictable.

Mr. MONTEITH: Does the Minister of Finance not undertake to project a few years ahead in respect of old age security?

The CHAIRMAN (*Mr. Cameron*): I am not answering that question because I do not know the answer to it.

Mr. MONTEITH: I assume he does.

Mr. HOLMES: We Canadians will contribute $900 million through the three taxes. This total of contributions goes up and down, but the cost of benefits is fairly predictable.

Mr. FRANCIS: You feel that any comparison with the Canada pension plan ignores the collection side and that the difficulty of the plan is the unpredictability of the benefits.

Mr. HOLMES: It is the design of the benefits that concerns us, not their size.

Mr. FRANCIS: You are not concerned about possible pressures brought about through legislative amendments or changes on the old age security side which would have considerable effect on the benefits of the Canada pension plan.

Mr. HOLMES: I think it is only fair to give the remainder of the delegation an opportunity to add to what I say in this regard. We do feel that the method which has been used since 1952 in considering changes, improvements, and so on, in old age security benefits, could be improved upon. We are very pleased this committee has been called together on this problem. We wish there had been some similar committee to which the dominion bureau of statistics, the government actuary and so on could have been regularly reporting with regard to what should be done with the benefits in the old age security plan between 1952 and now.

The CHAIRMAN (*Mr. Cameron*): You are next, Mr. Rhéaume.

Mr. RHÉAUME: Mr. Chairman, I want to direct my questions to Mr. Holmes and Mr. Kilgour, and I am concerned now with questions solely referring to the principle of the legislation.

I want to read the sentence in respect of what the principle should be and then ask Mr. Holmes and Mr. Kilgour how, in their opinion, Bill No. C-136 meets these criteria. The sentence reads as follows: "The purpose of the government's proposed legislation is to ensure that as soon as possible in a fair and practical way all Canadians will be able to retire in security and with dignity". In your opinion, is the proposed legislation a fair way? In your opinion, does it meet this requirement? Is it fair?

Mr. HOLMES: Well, I think our answer to your question, Mr. Chairman and Mr. Rhéaume, is clear; we are concerned that the Canada pension plan, shall we say, is doing a great deal for some of us personally in a time when it is doing very little for the 30 per cent of Canadians, shall we say the older Canadians, who are not in urban areas but who are out in the rural areas. They start off with a lower income when working and this income drops by a greater percentage when they retire than in the case of Canadians in urban areas. For this reason the proposed new plan does not make sense to us. When we look at our relatives or a number of our business associates we find that old age security seems to be doing a reasonable job. It is giving money as of right to the people who are in the greatest need of that money. In contrast, the Canada pension plan seems to be directing money to types of people like ourselves, and this is not just a peculiarity; it seems to be a principle of the plan.

Mr. RHÉAUME: Would the short answer be: no, it is not a fair way?

Mr. KILGOUR: That is right.

Mr. RHÉAUME: In your opinion and in the opinion of your group is it a practical way? I am concerned with the two words, "fair", and "practical". Is it a practical way of meeting the needs of Canadians, in your opinion?

Mr. HOLMES: In our opinion, the answer is no.

Mr. RHÉAUME: Would it meet the needs of any Canadians on the basis of your chart, that 67 per cent get nothing out of the Canada pension plan itself?

Mr. HOLMES: In our opinion, no.

Mr. RHÉAUME: Would it allow security and dignity, in your opinion, to all Canadians?

Mr. HOLMES: Not to all Canadians, in our opinion.

The CHAIRMAN (*Mr. Cameron*): Have you a question, Mr. Croll?

Hon. Mr. CROLL: Could Mr. Rhéaume then give me any reasons for voting for this measure in the House of Commons?

Mr. RHÉAUME: I would be very happy to explain that on a question of privilege.

Hon. Mr. CROLL: Perhaps some other time.

The CHAIRMAN (*Mr. Cameron*): Have you any questions, Senator Croll?

Hon. Mr. CROLL: No, I will wait until later.

The CHAIRMAN (*Mr. Cameron*): Will you proceed, Mr. Prittie.

Mr. PRITTIE: Mr. Chairman, the submission lays great stress upon the old age security approach, and I must confess I agree with that approach to a certain extent. And, there are some recommendations on page 25 with which I agree. But, it seems to me there is one basic weakness to the old age security approach, where the pension applies to everyone regardless of contributions, and the same amounts apply to everyone. Apparently, the very reason for the Canada pension plan is that we have lacked a national portable pension plan, which is not being provided by the old age security approach and, apparently, it was not coming from other sources, if you like, such as the private insurance industry. And, I suppose everyone is familiar with the personal tragedies which occur to people who either are tied to their jobs and cannot leave after a certain date or through circumstances of industrial change are out of a job and cannot get on to another one. Even if you have a good old age security approach, for example, with the age of 65 as suggested, and $75 a month, which is very much to my liking, theis does not get over the basic problem of the lack of portability which exists in Canada at the present time. Other suggestions do not seem to be forthcoming to remedy this lack, hence the introduction of a national portable plan.

I have a further question but I would like your opinion on this first.

Mr. HOLMES: Mr. Chairman, I would like the delegation to supplement what I am going to say.

First of all, we do like the idea of portability in private pensions and anything that we can do to co-operate with governments or with business in Canada to increase portability we certainly would wish to do so. I do call your attention to the point that in our view old age security is contributory and we think that it was presented to the country as contributory. Perhaps there could be a question as to how the contributions should be collected. And, secondly it is portable; old age security does follow a person through good times and through bad times and whatever we do with it it is completely portable in Canada.

What we cannot see, of course, is this. Canadians generally are working hard and providing for their own individual situations, and not necessarily through the life insurance companies. There are many different ways of providing for old age. The statistics we can find—and we do wish that this committee would look at these and other statistics—indicate to us that the harder up a Canadian is during his working years, the harder up he would be during his retirement, and that as a whole the Canadians who are better off, who are working at higher incomes by one means or another, buying farms, houses and so on, go into retirement not as well off as they wish but better off than those individuals who have struggled all through life on lower incomes. We really do not think that Canada should focus on the problem of those people who, statistics show, are meeting their income needs in old age better than others.

I do not know whether I have given you the answer. We favour portability. We say old age security is portable.

Mr. PRITTIE: Yes, but my main point is that we have before us a national portable contributory plan because this does not exist in the country at the present time. As far as I know there is no means in Canada for providing a portable pension plan for the person who may be aged anywhere from 45 to 55 and who very often loses his employment because the industry is shut down. Of course he receives his contribution back, but we have no plan whereby he can continue in a contributory plan after the age of 75. Does a provision exist at the present time to handle that type of situation? I am suggesting this is the reason why a national government pension plan has been introduced.

Mr. KILGOUR: I would like to say a word on this point. We would certainly be in complete agreement with the fact that there has been a shortage of portable pension plans in Canada. This is one of the points which Ontario has been trying to resolve through their portable pension legislation. This association appeared before them and advocated a private portable pension plan. We thoroughly recognized the hardships brought about by a pension plan under which a man loses all his rights if he is let out or laid off. This is something that can be worked upon jointly over many years, and employers will increasingly liberalize their plans to make them portable. In Ontario they would have had to do it but the approach was changed when this legislation was proposed.

The fact does remain that a great block of less fortunate Canadians today are not permanently employed by good employers who have pension plans. They are out on the economic fringes of this wide-flung country. It is also a fact that the Canada pension plan will cover twice all the people today who are in private pension plans. It scoops them all in through the payroll tax. I am quite willing to recognize the best intentions of the authors of this plan, but unfortunately this plan is going to add its benefits on top of the plans now covering all those who are regularly employed by good employers who have pension plans, and is going to continue to miss many people who do not work for good, solid employers who are able to provide permanent employment and pension plans. We therefore come back to re-examination of the fact that the objective of portable pensions will not be realized for many people who do not work for employers with pension plans or people who do not have regular employment. This fringe will never be included.

Mr. PRITTIE: I will have to agree with Mr. Kilgour on this last point. There is a large group of people who are not well covered. The plans for portability have not been worked out. It is true that Ontario has been making some steps in that direction, but it may be a long time before this becomes a reality in Canada.

The last question I wish to ask deals with item 11 on page 4. It reads as follows:

> Finally, the addition of the Canada pension plan to old age security would result in nearly one half of the population having little incentive to supplement by private saving the retirement income to be provided by their government. This would be a large scale surrender of individual initiative and responsibility.

It seems to me that for the people who are employed and are having payroll deductions made for private plans at the present time it would make very little difference who is providing the pension. There is a fixed per cent which is coming out of his income for that pension. I would suggest that for a large majority of Canadian wage earners this is the only saving they have in addition to whatever property they own.

The CHAIRMAN (*Mr. Cameron*): Is that a question?

Mr. PRITTIE: My second question concerns this last sentence: "This would be a large scale surrender of individual initiative and responsibility". I wonder about that because a large majority of Canadian wage earners do not make their own provision for their pension plans; it is part of the job, something that goes with the job.

Mr. HOLMES: I would agree with the questioner on this. This does involve a transfer. That is why we gave you the table, that was referred to earlier, showing that for many families in Canada this, together with the old age security, would seem to supply all that they would desire during their old age, and they would not have much incentive to set about doing much else for themselves. I think, as you say, that people in a small business have some feeling of individual initiative as far as their company's pension plan is concerned, but when you are one of a thousand, you are one of a thousand. There are also individuals who are outside of business. I am sure that with them the feeling of "participation" is much greater.

I think we all agree that a transfer of savings from the private to the government sector would result from the proposed plan. Whether the individual in a group of a thousand feels any more individual initiative than in a group of 18 million, I do not know.

Mr. PRITTIE: May I just finish up by suggesting that those persons who are in the executive income level or who have their own businesses and who wish to make extra provision for their retirement will not be satisfied with income received from old age security and the Canada pension plan, and they will be able to make this extra provision. It seems to me many people would like a higher income than these two plans would provide.

Mr. HOLMES: I think this is true. These people are in the 30 or 40 per cent which are not referred to in Appendix I. First of all, there is a group that is down below the scale in the test; then there is a large group who are not really left with much incentive to save; and then there are people in the higher income group with incentive to save.

Mr. KILGOUR: I could add something to that point. There is also the very important fact that a great many people in Canada belong to very good pension plans. For instance the civil service has a very generous pension plan which provides, I think, 70 per cent of the final six years' salary. Many private industries have equally generous pension plans. If, on top of this, one has old age security—whether one's pension will be $3,000, $6,000 or $7,000—then in fact one is going to have such a high percentage of one's income when one retires that one will be far better off than during the years when one was raising one's family, trying to put children through school and university, and so on. So that for many people in responsible walks of life the incentive to save more than for the combination of the pension plan and old age security will be very largely removed.

Mr. LLOYD: I have a couple of questions for Mr. Kilgour, Mr. Chairman. He made a point of drawing our attention to the fundamental conclusion of this submission, that this is a poorly designed welfare measure. Mr. Kilgour, you made reference to farmers and to their level of income. Do I take it that in judging this scheme you are judging it from the past events in our economy, or have you judged it in the light of what seems increasingly clear will come about in the future? Do you judge it in the light of future events, or entirely from the past factors in our economy?

Mr. KILGOUR: I should think that any of judgments probably represent a bit of a blend. If one thinks of an area in which there is a large number of self-employed people and of farmers, according to the evidence given before this committee some time ago, then one realizes that in the Atlantic provinces they contribute 3 per cent of the contributions to the old age security plan and they

draw out 10 per cent of its benefits. This surely illustrates how little an earning's rebated benefit affects these people; there are not enough payroll earnings or taxable earnings down there. Under this proposed type of plan they would presumably pay in 3 per cent and get out 3 per cent of the benefits. The 10 per cent comes in because there are many old people and they each get $75 a month even if they did not have a sufficient income to contribute much on the way along.

We may get an increasingly industrialized society in Canada, but in many parts of the country it is not clear how fast this will come about. There are many self-employed people and many people working for a variety of employers. I would suspect that very few farmers who are today on small land holdings or doing mixed farming are likely to show much income. Movement from farms may rise dramatically in the next decade, but I would like to leave that opinion to some agricultural expert.

Mr. LLOYD: Could you supply the committee with the number of earners on payroll earnings as distinct from self-employed farm earnings in the Atlantic provinces?

Mr. KILGOUR: I personally have not done such an analysis for the Atlantic provinces.

Mr. LLOYD: Were your conclusions based on such an analysis?

Mr. KILGOUR: In relation to the old age security, yes.

Mr. LLOYD: In relation to the illustration you chose of the Atlantic provinces?

Mr. KILGOUR: Yes.

Mr. LLOYD: You do have those statistics?

Mr. KILGOUR: I have that figure.

Mr. LLOYD: You could supply the statistics from which you draw your conclusions?

Mr. G. E. BROWN (*Senior Vice-President, Sun Life Assurance Company of Canada, Montreal*): If I might interrupt, I might draw to Mr. Lloyd's attention that the government of Nova Scotia in submitting a brief to the Senate committee on aging on October 15, 1954, among other things, said:

> The Canada pension plan may seem to offer a solution for these problems. Unfortunately, the advantages of the plan have been exaggerated and many of the disadvantages have been overlooked.

Then they go on:

> We have no conclusive statistics regarding the number of persons resident in Nova Scotia earning less than $600 per year, but it is our impression from all the information at hand that their numbers are very considerable. We must anticipate, therefore, that large numbers of our aged population will not qualify for inclusion in the Canada pension plan.

Mr. LLOYD: Is this the basis of Mr. Kilgour's conclusions?

Mr. KILGOUR: I can tell you that in Canada there are some two million Canadians in the work force who do not pay income tax.

Mr. LLOYD: By virtue of the fact that they are exempt from taxation because of the bracket?

Mr. KILGOUR: Because they make no returns.

Mr. LLOYD: Just a minute now.

Mr. KILGOUR: I mean because they do not feel required to make returns.

Mr. LLOYD: I am using the same information which I presume the other gentleman who rose used to supply the information which apparently Mr.

Kilgour did not have. You made an assertion and based it upon what is supposed to be a very careful mathematical study of statistics.

Mr. KILGOUR: May I give one analysis I have studied? I said that I did not study the Atlantic provinces. I know that in Manitoba 47.4 per cent of the workers and heads of families can be reached by payroll deduction, which means about 53 per cent have to be reached by some other means.

Mr. LLOYD: Was this 47 per cent based on the fact that so many tax returns are being filed?

Mr. KILGOUR: No.

Mr. LLOYD: In referring to the Canada pension plan as a welfare measure, are you referring to it as such because of the fact that the actuarial liability is not fully funded from the contribution; is that one of your reasons for calling it a welfare measure?

Mr. KILGOUR: No. I think the points in using the expression welfare or social insurance scheme is that our objection primarily lies in the fact that the bottom segment of people will not be drawing benefits and that it is loaded for those at the top. It is an inequitable redistribution of taxes because it is not going to the right people, and funding or non-funding is not nearly as pertinent, in my judgment, as what the plan does for people.

Mr. LLOYD: You are perfectly satisfied that the government should decide to use its taxing powers to maintain the fluidity of the liability at any time they consider to be satisfactory.

Mr. HOLMES: Might I comment on that?

Mr. LLOYD: I presented a question to Mr. Kilgour.

Mr. KILGOUR: In reply to the question, I would say I would regard where the money goes as a far more serious criticism of the plan than how the money is raised or whether it is funded or non-funded.

Mr. LLOYD: In your diagnosis of it as a so-called welfare measure, there was no implication that it is bad because it happened to be a government measure using the general credit of the nation to meet an obligation by taxation.

Mr. KILGOUR: No; but there is a section of the brief which does touch on the method of financing it.

Mr. LLOYD: Earlier I started by asking if you had drawn your conclusions by the events of the future, and I mentioned that you had referred to farmers. Well, the conventional wisdom that we read about from economists all points to the ever increasing proportion of our population which must find its earnings in the servicing and secondary manufacturing sector of our economy in increasing numbers. Have you taken this into account when you were drawing your conclusion? You have referred to farmers; you picked on an obvious area of difficulty in reaching a workable pension plan. What about the increasing volume of people who would benefit under this plan; have you taken future events into account when you have drawn your conclusions, or are you basing all your conclusions on past historic facts of our economy?

Mr. KILGOUR: I think our objections to the plan would be equally valid if there were 100 per cent of the people in Canada on payrolls.

Mr. LLOYD: In other words, to the extent that this plan does reach those of low income, or those who do not presently report in this manner, it is open to criticism.

Mr. KILGOUR: And gives most to the top and least to the bottom.

Mr. LLOYD: On that point, private pension plans all are related to earnings, are they not; private pension plans are all related to earnings?

Mr. KILGOUR: In the main, yes.

An hon. MEMBER: No, no.

Mr. LLOYD: In the main, are they related to earnings?

Mr. J. A. TUCK, Q.C. (*Managing Director and General Counsel, The Canadian Life Insurance Officers Association*): There are a few plans, sir—

Mr. LLOYD: What percentage of private plans is related to earnings?

Mr. KILGOUR: A very high percentage.

Mr. LLOYD: I think we must accept this as a fact. Surely there is no challenge of the fact that a high percentage is related to earnings.

Mr. KILGOUR: Agreed, sir.

Mr. LLOYD: Bearing that in mind, on page 2 in (d) of your summary you say:

> The Canada pension plan would provide the largest bonuses to those with the highest pensionable earnings.

Is this really not a little bit of semantics; could you not eliminate the word "bonuses" and simply say the Canada pension plan, as is the case with private pension plans, would provide the largest benefits to those with the highest pensionable earnings.

Mr. KILGOUR: No; on the contrary, private pension plans are arrived at by a precise formula. If one has double the income of another, he or his employer contributes double as much. On the other hand, the Canada pension plan gives a minority of people very great bonuses in the order of $10,000 apiece, and I think my own is over that; it is more than I could possibly pay in. Some dear old lady living in a room on Smith street gets nothing. This is not what a private employer does. He takes all his employees by and large and tries to treat them with equity; so much for a year's service in relation to a year's salary. Any plan slanted in favour of high salaried people usually is frowned upon and a few years ago was not allowed by the income tax department. Normally, private pension plans are as equitable as the employer and his employees can devise.

Mr. LLOYD: I will pass for the moment. I am satisfied from what Mr. Kilgour has said that at least the objectives of the Canada pension plan were to relate the benefits to earnings; there is no question about that.

Mr. G. R. BERRY (*Vice-President and General Manager, Metropolitan Life Insurance Company, Ottawa*): But they made one very large difference; they did not collect enough money to pay the benefits.

Mr. LLOYD: This comes back to my original submission in respect of the conclusion that it is a poorly designed welfare measure. I gathered from the witness that it is poorly designed because it is not funded.

Mr. KILGOUR: No.

Mr. BERRY: No.

Mr. LLOYD: You are speaking about the value of a pension at a certain age.

Mr. BERRY: You are confusing the fund, which is one thing, which meets the liabilities of the plan as a whole and what I, as an individual, pay for the benefit I am going to receive. If I take my own case, I am one of the persons in the lucky age group. If I pay something in the order of $900, I will draw a benefit worth about $12,000, but the man who earns less than $5,000 a year receives a bonus, a windfall—call it what you like—which progressively goes down as his earnings go down. This is the weakness of the plan.

Mr. AIKEN: May I ask a supplementary question—

Mr. CASHIN: That statement you made is wrong. You have not taken into account that the person contributing at the bottom contributes a lower percentage to begin with anyway.

Mr. BERRY: But he doesn't pay it all.

Mr. CASHIN: But you were relating both of them to the ten year period.

Mr. BERRY: This is true, but why should you, in a program which is supposed to take care of people who are aged, give a bonus or a windfall of twice as much to the person higher up in the income scale? This has never been done to my knowledge in any other welfare program in this country.

Mr. LLOYD: This is the windfall which derives from instituting the plan, is it not?

Mr. BERRY: Yes.

Mr. LLOYD: Your remarks really apply to the fact that in starting a plan, those who begin to get its benefits at an earlier age, compared with privately funded plans, have not in fact paid in as much.

Mr. BERRY: This is true under the old age security program.

Mr. LLOYD: Yes.

Mr. BERRY: But under the old age security program because it is a flat benefit, you do not benefit those persons earning more than those who are earning less.

Mr. LLOYD: Do you not in some degree in instituting a new plan, when you have taken into account the formula of establishing the past service benefits?

Mr. BERRY: But there again you have a closed group.

Mr. LLOYD: A closed group, naming the beneficiaries of the fund, and the same principle applies regardless of the size of the group.

Mr. BERRY: No, because a small group works out a program to its own needs, and they in fact are paying it all.

Mr. AIKEN: My question relates to my original line of questioning: is it not a fact that in this interim period there will be an element of collecting from a large number of poor in order to give to the well off? Would that be a fair statement?

Hon. Mr. CROLL: No.

Mr. FRANCIS: You do not collect from them.

Mr. KILGOUR: You have a lot of young people entering the labour force, for example young women, who will work from three to ten years, and they pay a tax on annual earnings above $600. Then they get married, and all the pension benefit which comes to them at the age of 65 you could stick in your eye; it would be about $5 a month.

The CHAIRMAN (*Mr. Cameron*): We are still on round one. Mr. Knowles.

Mr. KNOWLES: I would like to make a comment or two on one of the subjects which has been discussed, and also this opens up one question which I do not think has been referred to as yet. I still think that there is room for a good deal of thinking on both sides here today about the use of the word "welfare". Both Mr. Holmes and Mr. Kilgour used it as applied, and tried to redefine what they mean. Mr. Kilgour read from the submission made by the minister to support his contention that it was a welfare program, but he could not find the word "welfare" in the paragraph he was quoting. I think there is more than just a semantic difference here. Perhaps it is a matter of definition. What we are concerned about in this whole program about the old age security and the Canada pension plan is to try to move it as quickly as we can to an arrangement whereby Canadians will get pensions as a matter of right. Many of us have felt that there has been too much of the welfare approach in the sense that it involves means testing and that kind of thing.

I have listened to the discussion this afternoon and it seems to me that there is a good deal of that approach in the position taken by the delegation this afternoon. I would like them to look a little more closely at our plan, as one that seeks to put pensions on the basis whereby Canadians get them as of

right. To support the contention of those who argue that we cannot look at the Canada pension plan alone, you do have to look at the combination of pensions which people will draw both from old age security and from the Canada pension plan once the matter gets going.

I would like also to put in the footnote which has been referred to very often that there is a $5,000 ceiling in the plan at the present time. It is true that there is an arrangement for it to be escalated, but it is not the scheme which commits those in the higher brackets to get more, simply because they are in the higher brackets. I have a new question I want to put to our friends and perhaps to the Winnipeger—since I know Mr. Kilgour's company used to be located in Winnipeg North Centre but it moved out a while ago. I am impressed by this interest on the part of Mr. Kilgour and his colleagues here today in old age security. Like Senator Croll and Senator Smith, I was a member of the King-Lesage committee. It may be that my memory has slipped, but I do not recall this enthusiasm for the old age security program that the life insurance people seem to have at the present time. I notice now that you are terribly concerned that there is nothing in this for certain groups of people including those now over 70, and there is nothing in the Canada pension plan for them. So you can see from the recommendations under section VII on page 25 of your brief that there is an alternative to the Canada pension plan although you have made a great deal of the fact that we do not provide anything in the Canada pension plan for those over 70 years, and you do not provide a cent for those over 70. Your alternative is merely a proposal for an increase in the pension which people would have between the ages of 60 and 70; the woman of 60, if a wife, and the husband a little over, a man of 75, will get a pension of $125; and for those 70 and over the maximum is still $75 for one, and $150 for the two.

Now if you are going to chide us for not providing benefits for those 70 year old people, do not chide me because the members of the committee know what I think about it. I think we should be raising that amount. But how can you offer this as an acceptable alternative, namely a plan that leaves old age security for those 70 years of age and over still at $75 a month? If you are concerned about all those people, and I think you are talking about the various people that there are—there are statements which have to be clarified. Mr. Holmes said that Canadians generally are working to provide for their own old age, and Mr. Kilgour said that the great majority are outside of the various pension plans. But is it not a fact that under the Canada pension plan and the old age security arrangements, we will be able to pay something whereby within a few years people over 70 will be getting a lot more than $75 a month which is now the case, whereas under your recommendation in section VII the maximum is still $75 at the age of 70 and over?

Mr. Holmes: I shall try to deal with this systematically. First of all, regarding "welfare", we recognize there are two parts to it. There is the part where you are dealing with people on the basis of the specific need of a few, and there is the part where you are dealing more broadly under a scheme of social security. We will be happy to have you substitute social security wherever we have used the word "welfare". We do not favour a second plan of welfare or social security for retirement. We favour a universal and uniform plan wherever the need is very widespread in the community.

We feel that old age security is payable as of right. We as individuals shall accept our own old age security payments wherever or whenever we retire, because we feel we are on exactly the same level as other Canadians from the Yukon right down to Newfoundland. We will reluctantly accept the bonuses the Canada pension plan would pay to us because we happen to be 55 or 60 years of age and earning over $5,000 a year, when our own sources of business have looked at the problem and have made provision for us and we have been able to make supplementary provision for ourselves.

There seems to be some doubt about our position before the King-Lesage committee ten years ago. Perhaps you would let me go into ancient history. This is the brief we presented on May 18, 1953, before the King-Lesage committee:

> The association believes that the alternative which it proposes will remove these defects of the present (assistance) system. It therefore recommends that a federal old age security plan be established in Canada subject to any necessary constitutional amendments, and that the benefits should
>
> (1) be payable to all elder Canadians without a means test but subject to a reasonable residence qualification;
>
> (2) commence at a specified age which, because the benefits will be payable to all, should probably be age 70;
>
> (3) be fixed at a level which can be financed without placing an undue burden on Canada's present and future productive capacity;
>
> (4) be paid in the same amount to all;
>
> (5) be subject to partial recovery through income tax in the case of recipients having significant income from other sources;

That includes us as individuals.

> (6) be financed in full on a "pay-as-you-go" basis by an old age benefit contribution payable by residents of Canada on a basis as broad and equitable as possible.

Then the submission goes on to the particulars.

We do agree with the questioner that one must look at the two plans together, the old age security plan and the Canada pension plan, and we say we wish we were revising the old age security plan. Surely this indicates that we think the problem should be looked at as a single problem.

However, we do not think one can overlook the fact that what you are proposing to do at the present time is in addition to the old age security. If you do this, you are not paying attention to many people who are left out of old age security or you are saying there is no further need in that area at the present time. From the chart here you will see that we feel that even 10 years hence we are left with the problem because what is proposed would then be doing something for only a third of the population.

You do ask the specific question whether we propose doing anything for people now over age 70. If you look at page 27, paragraphs 68 and 69, you will see that we do indicate doing something. We feel it needs more study and that you need more information from the dominion bureau of statistics and elsewhere on exactly where are the large areas of need. We do not propose that there should be means tests or needs tests particularly here; we simply suggest that you should obtain reports to find out where among the people of 70 and over there is widespread additional need. Then we go back to our old suggestion that they should be paid as of right.

> There is another type of adjustment the association has considered but has not explored fully.

The reason we have not explored it fully is that we do not have enough information from the dominion bureau of statistics.

> It would involve stepping up the flat benefit by attained age e.g., raising the $75 at age 70 to $80 at age 75, $85 at age 80, $90 at age 85 and so on. In the case of a great many older Canadians it is apparent that not only do their resources decline with increasing age but their living expenses rise. The decline in resources often results from the necessity to consume capital to augment income. The increase in expenses frequently results from illness or special care.

69. Some information indicating that incomes decline with age has recently been developed by the dominion bureau of statistics. More information is still needed, however, to determine the best pattern for an age adjustment (see Appendix 2). The association recommends that this be obtained because if it supports the views herein expressed an important improvement could be made in old age security at a relatively modest cost. For instance, the current cost of the adjustment described in paragraph 68 would be less than $60 million a year.

I do call attention to one thing through you, Mr. Chairman. We do say that Canada always has to balance what it would very much like to do for its old people as of right with the situation of its working population at any particular moment. We do not think that there is any better place to go to to get advice on the way in which social security benefits should be directed than the dominion bureau of statistics, the civil service in general, the government actuaries and so on. We surely opened the door in our brief. We are not sure enough about the areas of need to make too definite a suggestion, however.

Mr. KNOWLES: Mr. Chairman, may I make this comment, namely that the proposals set out in paragraph 68 are, in Mr. Holmes's own words, just tentative. I am referring to the proposals defined as matters being explored. Even in that, you do not propose any increase for those who are now aged 70, for those between 70 and 75; you leave them at $75 a month?

Mr. HOLMES: Yes.

Mr. KNOWLES: You allegedly criticize us for not doing anything in this group, and you are taking words out of my mouth there because I think this is a fault and we should be doing something about this old age security plan, but I regret very much that you have not proposed as part of your alternative that something be done now to improve this position, especially when you come here and chide us for not doing it.

Mr. HOLMES: You recollect, Mr. Chairman, we said we made this illustration to show there was a concrete practical alternative. I pointed out also that somebody—and we appear to be some of the people who have to do this—has to call attention to the other side of the question. How much are the working people of Canada prepared to do in this field? That is the only reason we raise this question. We have called attention to it. We have only suggested that this is a practical alternative. We would not expect for a minute that this committee would just say, "Oh, that is fine, let us do that." We feel that basic information on needs is actually available to you from the dominion bureau of statistics and other sources and should be studied.

Mr. KILGOUR: Mr. Knowles included me in his question, and there are a couple of points I would like to make.

Perhaps one of the reasons we are so impressed with the Old Age Security Act is that we see its workings. Old age security has been a tremendous help to people who were pensioned many years ago. It has been a tremendous help to people who get to the age of 70 and who, for one reason or another, and not necessarily due to any fault of their own, are without resources. There is no question that this is the greatest thing that has happened to our old people.

I personally feel very strongly that the Canada pension plan changes old age security and comes well nigh close to destroying it. People are going to be able to take $51 a month at the age of 65. When you look at chart 2 you will see that 67 per cent of the retired people would be getting nothing from the Canada pension plan, and I venture to suggest there will be an important number of those people who will only be getting $51 a month because when they reach the age of 65 they are old, they are tired or they are poor, and they will take the $51 a month then rather than $75 a month five years hence.

So almost certainly we have detracted from the true strength of the old age security for the poorest segment in our community by giving them this option to take $51 a month at age 65, and then they are stuck with it for life.

Mr. CÔTÉ (*Longueuil*): No, it is going to be increased every year.

Mr. FRANCIS: I would like to ask Mr. Kilgour a question.

Do you envisage old age assistance ceasing between 65 and 70? Would those in poor circumstances not still be able to supplement up to $75?

Mr. KILGOUR: Through welfare assistance.

Mr. FRANCIS: But surely one should look at the total package.

Mr. KILGOUR: Again, it is not as of right and, again, it is subject to the business of a means test and so on. I think a great many people will grab the $51 a month and will not want to go down and apply for needs-tested welfare.

Hon. Mr. CROLL: Have you any idea how many people live between 65 and 70 and whether those between 70 and 75 will gain or lose by it?

Mr. KILGOUR: I have not.

Hon. Mr. CROLL: Who can?

Mr. KILGOUR: One can generalize. Certainly a great many people will say "I'll take it now." There will be a great deal of cutting down from the $75 to $51.

The second point, Mr. Chairman, that Mr. Knowles brought up was why there was no increase or why we did not strongly recommend an increase. I think Mr. Holmes gave a good answer. We did not feel it was our task to say how much Canadians wanted to spend. However, I do believe there is considerable room for the view—and this may not be shared by my associates—that we could do much more if we were to raise old age incomes for people who do not already have ample incomes. The new act suggests that people have to turn in income tax returns down to $600 a year. Possibly old age security could be raised to $100 a month for everyone whose income is not that high. We have 200,000 old people in Canada who are taxable. I for one do not feel every benefit needed by one group has necessarily to be passed on to all Canadians.

Mr. KNOWLES: May I ask Mr. Kilgour one more question?

I welcome what you have said about the boon that old age security is to our people today compared to what was the case 25 years ago. I am sure Mr. Kilgour will agree that if the pension were still the $20 that it was 25 years ago or even the $40 it was 15 years ago he would not be able to say that. The only possibility of old age pensions continuing to be a boon to older Canadians rests upon their going up still more considerably. In other words, it has to be $75 today as opposed to $40, 15 years ago and it will have to be $150 not many years hence. Does Mr. Kilgour see the possibility of the old age security plan, which they support so strongly, being raised to figures of that kind without contributory schemes such as those involved in the Canada pension plan?

Mr. KILGOUR: I would only reply to that that I would hope Canada and the Canadian parliament would from time to time always be prepared to reappraise the circumstances of our old and unfortunate people at any stage and to create benefits that are favorable and useful at the time they make the decision. I think this is a much happier prospect than hinging pensions to cost of living indexes.

Mr. KNOWLES: You would hinge it to an increase at every election, would you?

Mr. KILGOUR: No, I would hope—

Mr. KNOWLES: That is what has happened.

Mr. KILGOUR: Again, I would hope there could be some realistic survey every two or three years of the true situation and the needs of our old people, and that we would try to meet them thoughtfully rather than having a bidding process. However, that is purely a personal opinion.

Mr. HOLMES: May I make an addition?

The dominion bureau of statistics has obtained figures in the past year, although we concede more should be obtained. They compare the income being received at the time of the last census by the working population on an average by province, by definite areas of Canada, with the income, including the old age security being received by the older people. We think reports of this sort could be a basis for a regular adjustment of the situation.

There is one other thing I would like to point out which does give us concern, and it is partly why we call the attention of the committee to the question whether people of age 85 to 90 are not in fact in greater need than people of 70.

In respect of the Canada pension plan we have said that we are concerned because we and people like us are going on very liberal pensions at a time when two out of three Canadians will be subsisting on old age security 10 or 11 years from now. If you raise old age security for them, of course, this being a universal plan, you will also raise old age security for us. You must remember we then will be the young old people. We are only using ourselves as guinea pigs to try to explain the situation as we see it. We will be the young old people and we will be the first Canada pension plan recipients of large amounts. We will be 65 or 70. But, the people who are then aged 90 still will be existing on roughly the current level of old age security. So, we are proposing that at any particular time the aged population who are still very close to retirement will be receiving a considerably larger income than the aged population who are in the 80 to 90 age bracket. Yet, any information that we can find from the dominion bureau of statistics indicates that if there is any difference in treatment, it should be the other way.

The CHAIRMAN (*Mr. Cameron*): Are you finished, Mr. Knowles?

Mr. KNOWLES: Yes, for now.

Hon. Mr. CROLL: Following what you just said, Mr. Holmes, I had three points I was going to make. However, Mr. Knowles took care of my first question in respect of social and welfare measures. I might also say that he looked after the other one. But, I have thought one up while you were speaking. Of course, you are well aware of the bill which we have before us, and the commitment of the bill in principle, Mr. Holmes.

Mr. HOLMES: Yes.

Hon. Mr. CROLL: And, I do not think you will disagree with me when I refer to the fact that $5,000 in today's world is a modest salary rather than a very high one. Up to $5,000 is what the plan has in mind. Therefore, the comparison really is between people receiving a modest salary and those receiving a low wage or salary, whatever it may be.

Mr. HOLMES: Do you wish me to reply?

Hon. Mr. CROLL: No; wait until I finish. I am laying the premise for you.

Mr. HOLMES: Yes.

Hon. Mr. CROLL: And, from what you have said I think it is also true that the better paid workers under the plan make some contribution to the pension of those who are not so well paid. Now, I am sure you want to be helpful to us. You know we have a pension plan to bring in. Can you tell me how under any circumstances we can start a pension plan of the kind which is committed by this bill without a windfall to some people who come immediately within the compass of the plan.

Mr. HOLMES: First, in respect of the point regarding modest salary, $5,000 is in some respects a modest salary. I believe that the average pay though is around $4,000 a year, and that probably means that one half of our Canadians are receiving less than $4,000. I agree a fairly large number of us are receiving $5,000 and over. Once again, the statistics that we have seem to indicate that the people who have been hardest up—say, the group which ranges from, shall we say, $1,500 up to $5,000 of earnings—during their working years, drop off more in income when they retire than the people who are better off. And, because high earners are better off when working, they do start to make some provision for themselves as well. You asked whether there is any way of getting away from this question of windfalls to the higher paid. Well, of course, there is in respect of old age security.

Hon. Mr. CROLL: No, no. Just answer the question. You cannot lay down the ground rules. I said, committed to the plan under this bill. We have a bill before us. We are not going back 10 or 12 years, at which time there was no bill before us. We were talking in generalities then, if you remember. Of course, I do not remember. But, that was another matter entirely. As I say, we are now committed to a bill, and I asked for your comments within the compass of this bill.

Mr. HOLMES: The windfalls or bonuses arose from two factors. The first is the fact that the benefits are directly related to earnings. There is some lowering of the contribution rate for the lower paid person, but the benefit goes up with income up to $5,000. In respect of our American friends, the benefit drops relatively as the income moves up. That is the one factor in the Canada pension plan. Of course, the other factor is the early maturity factor. Under the old age security plan there is, of course, immediate maturity. It is not a 10 year maturity at all; it is immediate maturity. But, that immediate maturity is applied on a uniform basis to everyone in Canada, including people who already are retired. I think it is reasonable to call your attention to the fact—and I think I am correct in what I am going to say—that in England, where something a bit like this proposed plan was considered two or three years ago, there is no early maturity in the income related plan.

Mr. KILGOUR: Mr. Chairman, Senator Croll asked if one had a suggestion as to how, out of the framework of this bill, one could remove the objections. I think the burden of our brief is that as a social measure for all Canadians this bill is like an aircraft that will not fly; you will have to design a new one.

Hon. Mr. CROLL: You can bet that it is not only going to fly but it is going to fly at a rapid rate of speed.

Mr. MONTEITH: Are you going to use closure?

Hon. Mr. CROLL: Mr. Holmes, although I could be wrong I thought I heard you say that under the American security plan there was a drop of benefits at a certain stage.

Mr. HOLMES: In relation to income.

Hon. Mr. CROLL: Do you remember at what stage?

Mr. HOLMES: In respect of the American scheme which, of course, is their only scheme, it is fair to say that as the pay goes up the pension in relation to the pay is less.

Hon. Mr. CROLL: Are you referring to dollars?

Mr. HOLMES: Yes.

Mr. RHÉAUME: Mr. Chairman, on a point of privilege, I think you should instruct the members of the committee to take Senator Croll's remarks facetiously because, otherwise, I, for one, do not intend to partake of such a ritual.

The CHAIRMAN (*Mr. Cameron*): Mr. Rhéaume, the Senator is expressing his own personal opinion. Are you through, Senator Croll?

Hon. Mr. CROLL: Yes.

The CHAIRMAN (*Mr. Cameron*): On the first round I still have Mr. Basford, Mr. Gray, Mrs. Rideout, Mr. Cashin, Mr. Monteith, Mr. Cantelon, Mr. Côté, Mr. Leboe and Mr. Macaluso.

Would you proceed, Mr. Basford.

Mr. BASFORD: Mr. Chairman, I would like to refer to paragraph 10 of the summary, which refers to the indexing of the pension benefits. It says:

> Surely the adoption of this principle would be an open admission that inflation may not be controllable.

I would like to refer you now to appendix F of proceedings number 4 of this committee on Thursday, December 3, 1964, which shows if we look back in the history of the consumer price index that the pension index as provided for in the bill has consistently trailed the consumer price index. I would also like to refer you to what Dr. Willard said on pages 206 to 208, which disagrees with your paragraph 10. I would ask you to refute the evidence we already have had in this committee.

Mr. HOLMES: Could you give me the page again?

Mr. BASFORD: Page 206.

Mr. HOLMES: I think we have some information that might be of interest to the committee in this area. As you have been advised, there are a certain number of countries that have experimented with a pension index. I think it will be obvious to you that all pension indexes based on price indexing must lag the price increases. You must have a price index showing higher prices before you can calculate what you are going to do about pensions as a result. I think our economist, Mr. Popkin has some information on what sort of inflation has been occurring in some of these countries that have experimented in this area. In 1964 a survey of pension plans was made by the department of health, education and welfare in the United States. I think there are 12 countries that have put in pension indexing. These 12 countries are listed. In addition to the group that you have been given I believe that Ecuador and Uruguay have tried some form of pension indexing. You will remember from your report that Chile abandoned its indexing provisions in 1957—this is worth inquiring into. We notice that Iceland withdrew from the club in 1964. The international monetary fund published a supplement at the end of last year showing what has been happening to the cost of living in these countries and in Canada. This is the information which I would like Mr. Popkin to summarize for you. Perhaps we could give you a copy. We certainly think you will want it checked or you will want a report made on it by others.

Mr. POPKIN (*Economist, Sun Life Assurance Company of Canada, Montreal*): I would like to preface my remarks by saying that we are against the principle of the government introducing indexing, not only specifically for the pension plan but for any type of obligation. In other words, we think it is a bad principle for the government of Canada to introduce it. Countries that have introduced it have usually had trouble with it sooner or later. The most important example of this was France which introduced the widest spread system of escalation of any country in the world. Up to 1957, at the time of the last devaluation, they had had the wildest continuous inflation of any organized industrial country in the world, except for Germany during the war period. Following the eleventh devaluation of the franc in 1958 they abandoned all types of escalation. I understand that some types have crept back in since then. As you know, the position of France has been very strong; France has made great progress since that time.

The trouble with indexing is that once you start the principle there is no logical place at which to stop. Already in Sweden, where they have indexed

the pensions, a government committee has recommended the indexing of government bonds. Why should it be logical to say you cannot index government bonds if you are willing to index pensions? I agree that some of the reasons that have been introduced here in the committee for indexing pensions are that it takes the upward adjustments out of politics. I do not think the 2 per cent limit that you put on the cost of living is taken out of politics. If price rises exceeded 2 per cent, you would have immediate pressures to raise the 2 per cent ceiling. Already in the last 12 months we have had a 1.9 increase in the cost of living index in Canada. There could be an acceleration.

I would like to point out that we are not expecting inflation of any significant proportions in Canada; this is not our argument. We are just suggesting that this plan is a long term plan and there are other ways of adjusting pensions upwards without getting into the morass of indexing which, I think, has very bad side effects. Indexing can be taken as an official seal of approval by the government that inflation is a way of life. Whether the limit just happens to be 2 per cent I think is quite irrelevant; it could be 4 per cent two years from now.

Mr. MUNRO: Could I interject a question at this time? I understand that indexing will occur after the inflation you are talking about has already happened, and in that sense it is not contributing to inflation at all.

Mr. POPKIN: You say that indexing is not an engine of inflation. We do not say that either, but we say that indexing does create in people the expectation of a continuous rise in prices. Once people know protection against a 2 per cent rise is there, they might expect additional protection. In other words, there is no limit to peoples' expectations. To protect one's self against inflation does create inflationary conditions.

Mr. LLOYD: The vast number of people referred to earlier who would not be covered by pensions are those who have not been filing tax returns, farmers and the like. They will think all these things out and calculate the effects of inflation, will they not?

Mr. POPKIN: I think there are enough historical examples of the slippery paths of indexing to make us pause a long while before we choose this particular method of upgrading our pensions.

Mr. CANTELON: Mr. Chairman, on a question of privilege, are these interjections to be allowed while the witness is answering a question? It would be better if we allowed him to proceed.

Mr. POPKIN: It does not upset me if it does not upset the Chairman.

The CHAIRMAN (*Mr. Cameron*): We know you are not upset but we want to keep proper order.

Mr. GUNDLOCK: Let us hear the answer.

Mr. POPKIN: I would like to proceed and read out the experience with increases in the cost of living index of countries which at present do have indexing systems as compared to the Canadian experience. These are annual rates of increase between 1958 and 1964: Netherlands increased 2.7 per cent; Sweden, 3.1 per cent; Denmark, 3.9 per cent.

Mr. CHATTERTON: Are those per annum figures?

Mr. POPKIN: Yes, they are per annum figures over the period 1958-1964; France, 4.5 per cent; Finland, 4.5 per cent; Israel, 5.1 per cent; Iceland, 8.6 per cent; Chile, 28 per cent; Uruguay, 28 per cent.

There are other examples that could be brought in here, but it is interesting to note that every country that has found it necessary to upgrade pensions with indexing has had a greater course of price increase than has Canada or the United States.

At this point I would like to say that the basic comparison you should keep in mind is not the comparison between Canada and the European countries but between Canada and the United States. The United States has not yet introduced indexing in their pension scheme.

Mr. BASFORD: I take it from your answer that the indexing of pension benefits is not the cause of inflationary trends.

Mr. POPKIN: What I said was that the introduction of the principle of indexing in any type of government obligation does lead to inflationary pressures because of the continuous expectation of people, and their actions in trying to protect themselves against inflationary pressures.

Mr. BASFORD: The appendix to which I referred you indicates that the pension index would always follow the consumer price index.

Mr. POPKIN: You are quite right.

Mr. BASFORD: You have not convinced me it is a cause of inflationary trends.

The CHAIRMAN (*Mr. Cameron*): This is a question of opinion.

Mr. BASFORD: I would ask: How does the peoples' expectation cause inflationary trend?

Mr. KILGOUR: I should like to add one more point which I think may be pertinent at this time. There is not much doubt that in any country that has ever seen inflation there eventually comes about a widspread determination to avoid it. Anyone who has lived in Germany or France realizes the habits that inflation induces. If you generate in a large proportion of your population a feeling that this will not hurt them, that ther pension will go up even if wages outrun productivity, then, I respectfully suggest, you are creating a feeling that inflation is unimportant; that a person is protected against it even if his neighbour is not, and it would lessen considerably the determination in all parts of the country to join together in trying to keep a stable dollar.

Our view would be that it would be helpful if this committee could have comments on this very tricky economic problem from the Bank of Canada and the chairman of the economic council, because these problems are clearly tied in with the economic future of the country and the most professional opinion should be consulted.

Mr. BASFORD: Surely the people are entitled to some expectation in a political democracy that when the cost of living goes up parliament would protect them against it.

The CHAIRMAN (*Mr. Cameron*): I will allow the question but I think the witness is expressing his opinion for the benefit of the committee and members of the committee may have different views. We do not want to get into an argument with the witness.

Mr. BASFORD: I do not want to get into an argument, but I raised a question and I have not yet received an answer.

The CHAIRMAN (*Mr. Cameron*): Mr. Popkin, do you want to answer the question?

Mr. HOLMES: We will submit these figures to the committee. On this question we wish the committee to look at the figures which indicate that the countries which have been reported as using indexing have shown pretty high rates of inflation. We do not think you have really had a report on the implications of indexing in these volumes, nor an indication from economists of the Bank of Canada or the economic council as to how they feel on this. We do not expect you necessarily to accept our views.

The CHAIRMAN (*Mr. Cameron*): Would it be in order to suggest we file this as an appendix?

Mr. BASFORD: Could we please have the figures in respect of consumer price indices of countries that are not indexed?

Mr. HOLMES: It is the international monetary fund to which we suggest you refer, your own advisers.

Mr. LLOYD: On the question of procedure, I have no objection to these figures being included. I subscribe to your observation about interjections; but I asked for the opportunity to ask a supplementary question. All I ask the witnesses to do is that when they make a general assertion they give us to the maximum of their capability the supporting evidence which supports their conclusions. I am satisfied that every member of this committee will be mindful of the assistance we can obtain from economic experts in the Department of Finance; but I think the important thing is that when each witness makes a general assertion he substantiates that general assertion by specific evidence in respect of why he draws the conclusion.

Hon. Mr. CROLL: Mr. Chairman, I think the witness is on a little dangerous ground. I will give him an opportunity to correct himself if he would like to. I have had the opportunity of reading some of the briefs which have been filed. I see by looking at the brief of the Canadian Labour Congress, which has done some research on this matter of indexing, that they do not agree with you entirely. Appendix A is in great conflict with you; I think you should look at it and make sure. Both of you cannot be right.

Mr. POPKIN: I would like to file with the committee a booklet by a very eminent economist, Melchior Palyi, entitled "A Lesson in French Inflation". It is fully documented. It is the French history from 1914 to 1958 when they abandoned indexing. I am not suggesting their problems arose entirely from indexing; I am just saying that indexing has often become an accompaniment to problems of an inflationary nature.

Mr. KNOWLES: May I ask a supplementary question? When the witnesses express opposition to indexing, are they referring, so far as the Canada pension plan is concerned, only to increases in the pension after it is put in pay, or are they referring also to the escalation of the basis of the pension up to the time of retirement?

Mr. POPKIN: This particular discussion is mainly in respect of using the consumer price index for indexing the benefits. There are other objections to use of indexing in this particular pension plan.

Mr. KNOWLES: I will put my question another way. I realize you are opposed to increasing the pension by the cost of living index after the pension is put in pay. Are you opposed to the formula under which the wage rate is used to upgrade the basis of the pension at the time it is computed?

Mr. HOLMES: Yes. May I take this up? We are opposed to both. I think we tried to indicate in our brief to this committee that we feel the position of the older people should be given constant study and reports made on their income in relation to the income of the working force. The basic question we should be asking the dominion bureau of statistics is this: Are we keeping the incomes of our retired people at, say, 60 per cent or 50 percent of the incomes of the average of our working force, cutting out, let us say, very high incomes from that measure? This would certainly keep to the fore the problem of the old people so far as prices or wage levels, or productivity are concerned; and, so far as the social security plan is concerned, it would spread the effect of increased efficiency as well as the effect of inflation right through the entire older population on an even basis.

Might we also submit the basis for the figures which Mr. Popkin has given. The actual reference is the international financial statistics published by the international monetary fund, I think a month ago. We will submit this to

the committee. We are quite satisfied you will not take our word for it. We respectfully suggest that you obtain reports from the Bank of Canada, or from whoever you wish on these points.

The CHAIRMAN (*Mr. Cameron*): The previous witness has filed with the committee a booklet entitled "A Lesson in French Inflation". Mr. Holmes now has filed international financial statistics, which is a very voluminous document. What is the wish of the committee in respect of these documents?

Hon. Mr. CROLL: When we are preparing a library for reference purposes, these documents could be included.

Mr. CHATTERTON: May I make a motion that a copy of each of these documents be made available to every member of the committee?

Mr. KNOWLES: That will do something about inflation.

The CHAIRMAN (*Mr. Cameron*): Would you undertake to give us copies?

Mr. BERRY: I am afraid I do not know where these came from.

Mr. KNOWLES: Might I suggest that our people study these and report back to us whether or not it would be advisable for us to have copies.

Hon. Mr. CROLL: If these are a part of our library, if a member wishes to examine these, he has an opportunity to do so.

Mr. BERRY: In respect of indexing, indexing again helps those who have the largest income. The $5,000 a year man can get $179 at age 65 from a combination of the Canada pension plan and the old age security. If the cost of living goes up 10 per cent, he receives another $17.90 a month. The little fellow on a pension of $50 gets $5 a month. This tends to compound the inequity.

I think we would contend what most private employers contend; that is, that they must try to cope with inflation, if it comes, in the most sensible way they can; but they cannot write the book for 20 years ahead with an inviolate formula.

The CHAIRMAN (*Mr. Cameron*): Mr. Gray?

Mr. BASFORD: Mr. Chairman, I was not finished.

The CHAIRMAN (*Mr. Cameron*): I am sorry.

Mr. BASFORD: I would like to ask some questions merely to clarify my own thinking. Is the purport of your brief that as of now a pension of $75 a month is adequate for someone at age 70?

Mr. HOLMES: We have made no submission to that effect at all. We have outlined to the committee a revision of old age security which we think would be more appropriate at the present time than adoption of the Canada pension plan. We have pointed out that our suggestion would cost about two thirds of the cost of the Canada pension plan. We have felt that the parliament of Canada with its adviser is in a better position than anyone else to balance on the one hand what are the needs of the old people as a group in Canada and what the working force of Canada is prepared to supply towards those needs. We are not in a position to form an opinion on that.

Mr. BASFORD: As Mr. Knowles has pointed out, in paragraph 62 and onward, you make no recommendation in respect of changing the existing $75 a month at age 70. I can only assume that your association with its great interest in the well-being of our elderly population must consider that adequate.

Mr. MONTEITH: Mr. Chairman, I object to this line of questioning.

Mr. GRAY: Do you not agree they are in favour of the old people?

Mr. MONTEITH: Certainly; we all are in favour of the old people.

Mr. BASFORD: I have drawn conclusions from the recommendations and I want to know whether or not my conclusions are correct.

Mr. G. E. Brown: We have not tried to point out the amount that should be paid; that should be determined by the parliament of Canada.

We were trying to point out the areas in which the old age security plan as we see it today was deficient. In 1950 Mr. Holmes said that we suggested at that time that the old age benefits should be determined and become a right by age, rather than by the application of a means test, as had been the case before. This was a great step forward. The government of Canada, in introducing this bill which you have before you, has said that it is administratively possible to determine whether an individual under the age of 70 is or is not in the labour market. If he is in fact retired having attained the age of 65 we say then that his full old age security benefits should be available to him at that time because we know in our experience that there are many people who in fact retire under the age of 70 and have sought to level out their income from the date that they retired through the rest of their life by integrating their pension with old age security. In this way they have a higher private pension from the date they retire to the age of 70 and a lower private pension thereafter. This as we see it is the first deficiency in the old age security plan at it now stands.

The second was that it was dealing with individuals as individuals. It was ignoring the family. We know that it is not an abnormal situation in Canada to have a wife who is a year, or two years, or a few years younger than the husband. In such a families where the husband has retired, at that time would the family income from old age security is only $75 a month from the time he reaches 70 until the wife herself should reach the age of 70. In other words, here again there was a necessity of breaching the gap between the date of retirement and the attainment of the age of 70 of both spouses.

We in our recommendations—and I would draw this to your attention again—have suggested that where the individual man retires having attained the age of 65, and has a wife who is also under the age of 70, but over the age of 60, they be allowed a family income of $125 a month until she reaches the age of 70 and qualifies for her $75 a month by right.

If you decide in the parliament of Canada that this $75 should be something greater, than our recommendation would still stand, that the family income would be one and two thirds of (a); (a) being the income which you have determined for the individual until he is 70. That is what we have attempted to point out, and we have not been trying to discuss absolute amounts. We have been trying to make a suggestion that we felt would help to fill some of the deficiencies in the old age security plan as we have seen it in operation. Thank you.

The Chairman (*Mr. Cameron*): Thank you, sir. Does that answer your question, Mr. Basford?

Mr. Basford: Not really. I still presume there have been recommendations that $75 a month is still considered by the association to be adequate.

The Chairman (*Mr. Cameron*): Well, in view of what the last witness has said,—now, Mr. Gray.

Mr. Gray: I would like to turn to something a little different for the moment. At page 4, in paragraph 11, you say:

> 11. Finally, the addition of the Canada pension plan to old age security would result in nearly one-half of the population having little incentive to supplement by private saving the retirement income to be provided by their government. This would be a large scale surrender of individual initiative and responsibility.

I gather that it applies to this: if the Canada pension plan as proposed in the bill before us comes into effect, the incentive would not be there for one

half of the population to invest its savings in private insurance and pension schemes. Is that not basically what you are driving at?

Mr. HOLMES: Yes, do you want me to answer at some length?

Mr. GRAY: Do you agree?

Mr. HOLMES: That is right.

Mr. GRAY: Perhaps you could explain the statement made by Mr. Sharpe in the *Finnacial Times* of June 4, 1964, from which I read as follows:

> Fears that the Canada pension plan will hit private pension schemes were discounted last week by the newly elected president of the Canadian Life Insurance Officers Association, Mr. H. L. Sharpe.
>
> He said he was confident that the national pension plan would in fact bring more business to the nation's insurance companies.
>
> "State schemes tend to make people more pension conscious. That was certainly the less experience in the United States back in the 1930's when they launched their plan. That scheme sparked off one of the biggest insurance booms in American history," said Mr. Sharpe.
>
> He added that the government pension plan would give people a basis on which to build a better income for their old age.
>
> "Nobody will be satisfied by the amount offered by the state scheme. They will want to supplement it by a private insurance plan."

Is that not somewhat contradictory? Perhaps it would be more fair to ask Mr. Sharpe to comment.

Mr. SHARPE: I do not think it is necessarily contradictory. The reference relates primarily to insurance. I think the record has been that since the introduction of the social security scheme the life insurance business has boomed. At least this is the case in the early stages.

Mr. GRAY: Are you suggesting or are you in agreement that life insurance is a very important form of savings?

Mr. SHARPE: Yes, I would agree with you. But I do not see any contradiction about it. I think the introduction of a social security scheme would add to the sale of life insurance. I do not think it would hurt the sale of life insurance.

Mr. GRAY: It would hurt the formation of savings represented by life insurance, would it not?

Mr. KILGOUR: Mr. Sharpe's views in this respect are in reference to the Canada pension plan. Our business is going well, but it does not affect our critical analysis of this bill as a pension scheme for Canadians.

Mr. HOLMES: I think fully to understand our position the committee should keep in mind three points. First, no matter what kind o fsocial security plan, Canada pension plan, or old age security plan that the parliament of Canada adopts, I think you can count on it that the life insurance business with their field staffs will be endeavouring to persuade individuals and businesses to make additional provision for old age no matter what the plan, and that we persuade people to do this, and frankly our services are available to them for that purpose. Second, as Mr. Sharpe has said, a well-designed moderate plan of providing pension, we agree whole-heartedly, will encourage people to make additional provision. That was certainly true of old age security in Canada, and it has been true of old age security in the United States up to the present time. And third, and this is equally true experience, if the government program of providing a pension is too ambitious or if it is poorly designed, I can cite you instances of its discouraging additional family provision. In many cases the plan has ended it.

There are characteristics of the government plan which would seem to do this. We would cite the provision of very large benefits to many who are in a position to save for themselves. We think that would happen to some extent here.

Secondly if the administration and complexity is so great that private industry finds it too costly to attempt anything more, and if the plan changes steadily so that it is very difficult for a private pension plan to integrate with it, and to keep on living with it because of the constantly changing benefits, we do say to you that all these elements give us concern. We feel these elements are in this bill. But I think if the Canada pension plan is adopted without a dot or tittle of change in it, you can assume that we will be doing our very best to persuade people to provide for retirement at the age of 45, 50, or 55, but we may not be as successful.

Last May there was an international congress of actuaries in London when pension problems were discussed by representatives from ten different countries, and I read to you a very brief sentence.

Mr. GRAY: This is all very interesting, but what has it to do with my question?

Mr. CHATTERTON: Let us hear it.

Mr. HOLMES: I think it does. We have to persuade people to buy life insurance and annuities, and we have also to tell you honestly whether the particular proposal is helpful or hindering to us.

Mr. GRAY: Again I would draw Mr. Sharpe's attention to this article in the *Financial Times*. He could have been misquoted, but he seems to be referring specifically in the text to the Canada pension plan.

It seems to me to be a contradiction in terms for you on the one hand to say that the Canada pension plan will reduce the incentive to save and, on the other hand to say there will be a lot more insurance, which is a form of saving.

Mr. CHATTERTON: Mr. Holmes was going to read from the report.

Mr. AIKEN: Just because Mr. Gray does not like the answer that is surely no reason to stop it.

The CHAIRMAN: (*Mr. Cameron*): Mr. Holmes wanted to quote.

Mr. HOLMES: That is right.

Mr. Sharp of London, England, summarizes the situation from this point of view. He was talking about papers on the public pension plans of ten countries: Canada, France, Denmark, Germany, Great Britain, Netherlands, Norway, Sweden, Switzerland and the United States. They fall into three main groups, he said; those in which the state has taken over the greater part of the pension provisions, either directly or indirectly, Denmark, Germany, Norway and Sweden—and I think you can add Belgium to those; those where the individual employer still plays an important part, Canada, Great Britain, Switzerland and the United States; and France and Holland, where industry-wide schemes have been agreed between employers and unions. We do know of cases where the private pension business has been helped, but we know of other cases where the government has completely taken over the provision of pensions.

Mr. GRAY: What you have just said is only relevant in comparable schemes, is it not, and is not the scheme most comparable to this the United States social security system?

Mr. HOLMES: We have suggested to you that we are going beyond the levels of United States social security scheme.

Mr. GRAY: Yes, but I am speaking of the general structure.

Mr. HOLMES: I would have thought the proposal was closest to Sweden, but perhaps I am wrong.

Mr. GRAY: Would you say the United States social security system administration is more complex than that which is proposed for this system? I am sorry, I should put it the other way around. Do you suggest the proposed system of administration for the Canada pension plan is more complex than the administration for the United States social security system?

Mr. HOLMES: This is something we felt we could not very well benefit from. I have read the evidence on this. You did receive an answer from the department of revenue there indicating, I think, that they did not have the problem that is involved in the administration here. Perhaps I am wrong. I cannot compare the complexity of the two. I can see that the administration of this plan will be quite complex.

Mr. GRAY: The reason I ask is that it is my understanding that the United States social security system calls for administration that is certainly more complex than our existing old age security system.

Mr. HOLMES: Yes, for the old age security system that is so, without question. Your cost figures show this. Our old age security system is one of the most efficient and inexpensive ways of providing old age security in the world. Dr. Willard showed one figure. He showed the figure of one quarter per cent of the contribution, and another higher estimate was given by Dr. Clark who said it may be two fifths per cent. This plan is 2.8 per cent of the contributions.

Mr. GRAY: I gather that the relatively more complex—that is, more complex than the old age security—approach of the United States social security system has not hampered the increase of savings through insurance. That is right, is it not?

Mr. HOLMES: The insurance has grown. When the old age security system was put into effect in 1935 there was very little provision for pensions. Insurance has grown up in the United States, encouraged by social security. Of course, there is no indexing in the United States social security. There have not been continual changes.

Mr. CHATTERTON: Some of us—I for one—anticipating that we would close by 4.30 or 5.00 have made other plans.

The CHAIRMAN (*Mr. Cameron*): That is a matter I was going to bring up when Mr. Gray had finished his questions.

Mr. GRAY: I would like to have the right to finish. I do not intend to take any longer than other members have taken.

Mr. CÔTÉ: May I ask a supplementary question?

The CHAIRMAN (*Mr. Cameron*): Mr. Gray has not yet finished.

Mr. GRAY: You referred a moment ago to indexing. I am just curious whether or not indexing, being somehow a possible psychological spur to inflation, means that your association regards it as an appropriate anti-inflationary measure to hold down the income of retired aged people.

Mr. HOLMES: Do you wish me to answer?

Mr. GRAY: Yes.

Mr. HOLMES: No, I thought I made it clear that this did not enter into the picture at all. We do favour a continual and steady study of the incomes of old people in the light of inflation, of the growth in productivity, and also in the light of what they have been able to do for themselves, setting the levels in the light of those facts. I think our reasons for recommending against indexing are three in number. We do think it is tied in with inflation. We do think it complicates the plan and makes it difficult for private plans to live with it. We do think it is tied in with the fact that parliament 20 years from

now will have to increase the tax without at the same time declaring an increase in benefits. All three of those things about the plan we think are bad.

Mr. GRAY: I do not know if this question was asked in this way. You produced for us a series of what I might call parallel facts, countries' rates of inflation and countries which also have indexing. What percentage of the inflationary situation in each of these countries to which you have referred would you suggest is linked directly with the index?

Mr. HOLMES: We can make no comment on that point. On that point we think your best advice would come from your own economists and the Bank of Canada. We are just calling your attention to two facts side by side and our feeling that it does add to the inflationary problem.

Mr. GRAY: It is just your feeling?

Mr. HOLMES: It is our judgment; let us put it that way.

Mr. GRAY: You cannot present to us any statistical information?

Mr. AIKEN: He did.

Mr. CÔTÉ (*Longueuil*): May I ask a supplementary question?

The CHAIRMAN (*Mr. Cameron*): Mr. Côté.

Mr. CÔTÉ (*Longueuil*): Mr. Holmes said they might have been in favour of the plan if it had not been so complicated, or something to that effect. Did you say that before? Did you say that after commenting on Mr. Sharpe's statement?

Mr. HOLMES: What I said was that a plan which was very complicated made it more difficult for businesses to supply supplementary pensions.

Mr. FRANCIS: That is a fair statement.

Mr. GRAY: I want to ask one last question if I may. On page 24 of your brief there is a series of criticisms of the economic report. I would like to draw your attention to criticism (c) in which you say that the report does not discuss the effect of the reduction on Canada's ability to repatriate ownership of foreign-owned enterprises.

You say:

> Funds for this purpose originate mainly through the accumulation of personal savings rather than from business saving or from governments.

It is not a fact that the funds of the companies you represent have been steadily increasing at the same time as the rate of foreign ownership of industry in this country has been increasing?

Mr. HOLMES: Yes. There is no relation between these two things. I can assure you, Mr. Chairman, that all assets and all increases in assets of the life insurance companies have been invested in Canada. I do not really see the relationship.

Mr. GRAY: Maybe it is something like the relationship between the indexing and the inflation!

Mr. KILGOUR: I can comment on that. I can say that $600 million a year will be taken out of the income of Canadians. Some portion of that—and none of us can with accuracy say what—would have been invested in Canadian enterprise. One can argue and debate whether a tenth or a third or a quarter would have been invested in Canadian enterprise, but certainly a new tax load of $600 million a year is going to increase by some degree the amount of money people are saving.

Hon. Mr. CROLL: It is 3.4 per cent. What does it amount to in total?

Mr. KILGOUR: It amounts to $600 million a year.

Hon. Mr. CROLL: The total percentage of the total invested?

Mr. HOLMES: It is reported as 22 per cent of the personal savings, and what we are pointing out to you is that the personal savings, rather than business savings, are the main source you must look to toward repatriation of outside enterprise. Business saving, for instance, within foreign-owned enterprise in Canada simply increases the foreign investment in Canada, I would say.

Mr. GRAY: If I may return to my point, let me first of all ask what percentage of the assets of insurance companies in Canada are presently invested in Canadian equity stocks?

Mr. HOLMES: In the neighbourhood of 5 per cent, I believe. I think, though, we should supply you with the total percentages, and I do not have them here. We can supply them to you. There is a very large additional investment in industry in Canada in the form of debentures. The truth is that it is difficult to obtain equities in Canada which are eligible under the Canadian and British Insurance Companies Act. I think the common experience has been that the few, shall we say, subsidiaries that have put stock on the market in the last year or so have ben oversubscribed to quite a considerable extent by the Canadian life insurance companies, and we have only received a small part of what we have applied for. Another major area in which our money is invested is in houses. Nearly half of company assets in Canada is invested in houses in Canada. And, if we invest in houses we have not the money to invest in equities.

Mr. MONTEITH: Mr. Chairman, this is a new subject; do you not think we should discuss adjournment?

Mr. GRAY: Mr. Chairman, I will be only a few minutes.

Mr. MONTEITH: You can wait with the rest of us.

Mr. GRAY: Then I will reserve my right to put questions when we resume.

The CHAIRMAN (*Mr. Cameron*): Your right is reserved.

Mr. Nix, who also is associated with this group, I believe, has something to say.

Mr. R. A. NIX (*Actuary, The Canadian Life Insurance Officers Association*): Mr. Chairman, I spoke with Mr. Munro and requested permission merely to file my brief.

The CHAIRMAN (*Mr. Cameron*): Then we will have Mr. Thompson and your group come back later on this evening.

We do have a free morning tomorrow. We anticipated a delegation coming but they will not be here.

Mr. TUCK: Mr. Chairman, we are in your hands. We would prefer to come this evening.

The CHAIRMAN (*Mr. Cameron*): I think, in fairness to Mr. Thompson, who was scheduled, we should hear him first. But, I think we will have a considerable portion of time in which to proceed with your group, and if we do not finish by a reasonable time tonight perhaps you could come back tomorrow morning at 10 o'clock. Would that be agreeable?

Mr. TUCK: Yes, but I had hoped we could get on this evening.

Mr. MUNRO: Will the Canadian Life Insurance Officers Association be coming back tonight?

The CHAIRMAN (*Mr. Cameron*): Yes, along with Mr. Thompson.

Mr. MONTEITH: Mr. Chairman, was it not your suggestion that we hear Mr. Thompson at 8 o'clock and then the Canadian Life Insurance Officers Association?

The CHAIRMAN (*Mr. Cameron*): Yes.

EVENING SITTING

TUESDAY January 12, 1965

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mrs. Rideout and gentlemen, we have a quorum and we will start our meeting now.

Our schedule of witnesses provides for the hearing of Mr. Thompson. He comes from Toronto. He has been retired for three years, but before his retirement and for many years as vice-president and treasurer he has been closely associated with one of Canada's largest life insurance companies. He will speak tonight as a private individual, but this background gives him special knowledge on the subject.

Mr. Thompson, you may know of the procedure that we are following in this committee that when briefs and material such as yours are submitted, they are circulated to all the members of the committee who then have an opportunity to read them. For this reason it is not considered necessary for the witness to read his brief. The witness is merely asked to give a summary of what is in his brief, to bring out the special points, and then be prepared to answer questions by the committee on the statements made.

Perhaps I should say that this material which has been submitted by Mr. Thompson has been sent around. The steering committee recommended that it should be incorporated in the minutes of today's meeting. Is that agreeable to everyone? I believe it is agreed.

Mr. Thompson, will you present your brief?

Mr. S. M. THOMPSON: Madam Chairman, Mrs. Rideout and gentlemen, as events keep cropping up so fast you may probably find that my presentation practically contains last night's paper. Fifteen minutes ago, as I dictated to my wife the last part of this brief, she exhaustedly said, "Well, that is that". It may therefore sound a little bit disordered, but it is documented as well as I could do it.

Madam Chairman, while it is true that until my retirement three years ago I had been the chief financial officer, that was my career. I want to identify myself. I believe my credentials entitle me to speak for the man in overalls and blue shirt. My father was a school teacher in Millbank, Perth county. I grew up in a rural environment. From the age of six all my holidays were spent on a farm. By the age of 15 I was fairly competent in farming. At the age of 16 I worked for hire for strangers. In 1920, after the war, and with nostalgic memories of many men and friends, I picked up my blanket and my grub and embarked on this old colonists' car. I went on one of those famous annual harvester's excursions to the west.

I think it is pertinent at this point to remark that some of the finest labouring men in Canada were on those trains. I had two buddies: One was from Quebec. He worked in a shoe factory, and he went west for six weeks—it was a $10 return ticket to Winnipeg and half a cent a mile thereafter. He left his job, which paid him $3.50 a day, for six weeks. The going wages of a competent farm labourer at this time were $6.50 less keep. He did not aspire to become an entrepreneur, but he was a very solid citizen. My other pal was a farmer —many of these boys were farmers. This chap came from the clay belt. He was a three seasonal type: In the winter he cut pulpwood, in the short season which they have in the clay belt he farmed, and then he boarded the train and made these wages. He established himself as a small farmer and steadily plowed that money into his business. That is why, ten years later, we lived in a house, about half a mile from the great railway marshalling yards at Dundas street.

Those boys were criss-crossing this country, seeking work which was not obtainable. They would live in those yards because we were one mile distant from the railway police who were there to meet them. In those days these people would understandably shunt from spot to spot because the railroads were full, the bivouacs under the railway bridges were full, and many of these people came into our house. I always sat down and talked to them. I identified myself with them because you are dealing here with human material. Gradually they became more and more desperate. That is why I say I identified myself with the overall and blue shirt people.

I think my credentials are satisfactory from the age of six to the age of 23.

I also had a very short sojourn in the war in France, but there my buddies were tinsmiths, boilermakers, and so on, because I was what is called colloquially a mutineer.

The first thing I want to do is to read you the first page of a letter to Mr. Guitard. This letter is dated December the 18. The first and basic submission was sent on the 28th. You had 45 days. I worked Mr. Edison's hours because, after having spent eight solid weeks last summer on the first actuarial report, this one cost us phenomenal work. Later events also caught up with me.

> Further to my submission to this committee, and in support of certain of my assertions therein, I am forwarding under separate cover certain documents or exhibits plus certain material in this letter, which I am duplicating, and 36 copies of it are also going forward under separate cover.
>
> At the outset I must reemphasize that in my submission I speak as a private citizen—I repeat as a private citizen and independent of any connection with the life insurance business—that the brief was prepared without their help and the contents unkown to them—until it was in your hands.
>
> However, I have spent 38 years in the employ of a fine life insurance company, the second largest Canadian life insurance company, for which I always have had, and will always continue to have, a deep affection.
>
> However, a few years ago Canadian Life Insurance Companies petitioned, and my company was opposed to it, the only Canadian company that was opposed to it, for an extension of their powers to enter the field previously rightly reserved to the trust companies, and in so doing asked and received the right to issue variable annuities and administer "segregated" funds—both being "inflation hedged savings" formula benefits.
>
> As in the case of Mr. Eckart of the Metropolitan Life who lost to the then President Shanks of the Prudential Life, my president lost to the others, and he had the very weighty and awesome responsibility because he sought, as I did, to decide what we would do in the face of the competitive positions that existed within our business. He decided that it was competitively necessary for our agents' arsenal to have this sinister "missile" in their kit, so sorrowfully and at the cost of a life-long friendship we parted.
>
> I think I have made my point that I am independent.

I will further enlarge on this. This is why I left. It is typical of many hundreds of letters I have had and of thousands of discussions.

This letter is from Doctor V. Johnson, who is a neighbour of mine. His position is executive director of the College of General Practice of Canada.

> I have your enclosure on the Canada pension plan and I hardly know what to say about it. You state that our organization is staffed with career men and women who work in the money field.

I might say at this point that this is promotional material on my part because each one of these that I sent out—not having had any support, I might say, from the financial papers and the radio, in fact obstruction in certain instances—I said "It costs you a dollar. If you are with me, circulate this among your colleagues, among your staff and your clients." I sent it to this chap. He is in the educational business.

> This is not quite 100 per cent true. We use money to live on, but that is about all. This organization is 100 per cent educational, and we leave medical economics to the parent body of the Canadian Medical Association. When you talk about inflation and the cause of it you are in a field which confuses me. As we get older and I hope more mature we think we acquire a lot more wisdom about most things, but this, as far as I am concerned, does not apply to money and how it is controlled. When we consult bankers we find that even they do not agree, but I will agree with you that inflation is a very serious matter.
>
> Here I would like to say without criticizims anybody that I have felt that insurance companies have cheated me out of a lot of money over the last 30 years.
>
> I wasn't able to set aside much money annually when I was practising, but what I did set aside I put in life insurance and look how it has been devalued. It is one of the poorest places you could invest money. You can imagine how that hits me. I was the fellow who was supposed to earn the interest rate. The insurance company allowed nothing for inflation. Of course, you cannot tell if there is going to be inflation or not, but they could have made allowance in their premiums if they wanted to.

God forbid. He is right.

> But they did not so. One man standing up and roaring about 1955 could have stopped this thing. It is stopped today, as you will know, because of the price of sterling.

Do you know what inflation means to me? It means a story of a man who had recently been discharged from the Imperial army—this was back in 1920. His pockets were full of money. He was restless. He and a pal went to Austria, Germany and France and lived it up—wine, women and song. The women were not the tarts of Piccadilly; they could have been your wife or your daughter. After they had sold all their things that were marketable they had only one more commodity to market. That is what inflation is.

I want to read this piece.

Bill No. C-136, which has had its second reading, is the legislation which will implement the third and final version of the Canada pension plan, which version is fundamentally different in character and detail from the first version which was a pay as you go plan. The first version, during the transitory period of ten years, accumulated a relatively small contingency fund; the present version, together with the Quebec plan, will build up during the transitory period—10 years—a gigantic and almost incomprehensible fund, of $7½ billion, all in the hands of the provinces, their municipalities and their bureaucracies.

It is not too far short of being one half of the total net debt of the government of Canada in 100 years of existence, including two world wars. That is the amount of money you will put in the hands of the provinces, bureaucracies, and municipalities.

Because these plans are compulsory on all employees, company president and office boy alike and their employer, with individuals and company equally liable under the law for non-compliance, the political, social, and

economic implications stagger my imagination. Having voluntarily renounced a happy corporation association because of the inflationary aspects of this latest plan or plans, I am deadly in earnest in telling you that if I still had employee status, that I would find a legal method of preventing my company from making an obligatory deduction from any salary in defiance of this monstruous interference in my private rights as a citizen. If this be treason, then I salute George Washington!

In this last legal court of appeal, and I am glad to have this opportunity to appear in this chamber, an opportunity denied one James Coyne, but granted by the upper house—I salute the Senate—I speak for all Canadians, for all ethnic groups, in warning them not to permit this gamble.

Since England lost the 13 colonies, there were dreams of a nation. For, over 100 years ago men dreamed dreams, and then the founding fathers took a fantastic financial gamble to achieve the birth of a nation, by pledging their word, that in some fashion two shiny bands of steel would link two oceans. A handful of provinces, each at times with its own currency, or other approved currencies, Mexican silver dollars—the lot—their own postage but with some common custom agreements, undertook the gamble.

Today, in terms of money, this is the biggest financial gamble since confederation—$7½ billion is close to one half the net debt of the nation, after two world wars! And to what end—social security.

I would like to tell you what social security means to me. Right now there are three competitors in an olympic race—the United Kingdom, the United States and Canada; they all are in sort of an olympic race. Our friends to the south have given up temporarily. Our social operations are so far ahead of them, but we are dead even with the sterling people. If you pass this, we have won the thing; we will get a gold medal out of it; but you should see the bronze medal which has two sides; the other side of it has blood on it. The front side is as shiny as is our pride in our demonstrable concern for the unfortunates in our midst. But, the reverse is ominously dark. It even has some blood on it—that of a member of my family, a dedicated social worker in the field of retarded children. Many a night, because of a pregnant child of 12 to 16 years of age, she visited the homes. In too many cases, she found a home completely devoid of concern, in some the out and out ignorant but sly exploiters, living high on welfare agencies, unemployment insurance, and of low mentality, breeding like rabbits. She cracked, as do many in this business—at the complete futility of it all.

In the outports of the Newfoundland coast, they tell me that during the fishing season and while the fish are still running, the young men crewing with their fathers, knock off and stay ashore, to the utter bewilderment of the older men. So the youth explains this crazy "I'm allright Jack" world. He says: "Don't be stupid, dad. I've had it for this year. From now on the government cuts in. This way I make more money moonlighting—unemployment insurance, and who around here is going to inform—and they—the government—have a billion dollars. Get hep, I'm ahead, and you better be too. We don't like scabs and blacklegs in this village queering the pitch". So the old man stays ashore, spends more time with his elderly friends and his rum bottle, snarls at his wife who having no binding ties to this new and unaccustomed "hell", goes to St. John's where domestic help is scarce. The old man is unsalvageable, but the boy too finds life too boring so he goes to St. John's or more likely to the big lights in Montreal, and finds ample scope for his idle time in the many avenues open to him—narcotics, petty thieving which progressively becomes less petty—so the department of health and welfare, provincial and federal have a whole multiplicity of new cases and more and more costly financing to do.

But I was and am a staunch supporter of unemployment insurance.

I am thinking of these boys travelling on the tops of those cars. I identified myself with them.

Dr. Victor Johnston, who devotes a large part of his effort to youth delinquency says the youth of today is fundamentally as good as it ever was. So I asked, why so much hooliganism, senseless beating up of old people, crazy "chicken" daring car driving, and a 10 per cent increase in Metro's auto fatalities in 1964, narcotic addiction in teenagers, marijuana in the high schools, pregnancy of highschool girls—well, I think it goes back to birth. The squalling new born and the oldster demand one thing in common through life. Recognition. Failing it at home—a good home so-called, because father is too busy in the rat race of business, mother too socially preoccupied, junior as I did, goes to the poolroom. Affluent parents add fuel to the situation with overlarge allowances. There you have it. Impress the gang. Demand attention by becoming antisocial, if necessary. We did it ourselves. We were going to paint all the streets red, and then something inside us, which is a conscience, said we are hurting Bill White and the rest of them. The only distinction between you and I and an ape is a thing called conscience, and the church calls it the Holy Ghost.

So we have the other side. My neighbour in contrast, is an understanding colonel. His junior, aged 15, wants to get a car. Dad says O.K. Mother says her car needs a new clutch. So that summer I see that my neighbours are quite absorbed and they get the car running in the driveway because, unconsciously, he and they have a new aim in life, to drive a car as it were as if they were masterbuilders and that they were going to be triple "A" drivers. The other day he was walking on air, getting his driver's test, and as I came up in the taxi, I got a rundown on the magnificent things the automobile does for these youths, how they can cut driving casualities on the road, and about all the things that these people accomplish who are dealing with delinquent children. It costs you nothing in this upside down society. We pass collectively this personal basic principle along to somebody else. That should give a good chance to the Y.M.C.A., which played a big part in my life, really to function.

Simply to lavish the expenditure of money on social services is merely collectively to pass along your guilt to some individual area. Early one morning after a two hour bull session with my daughter, who is an expert on home behavior, I was terribly distressed. Why should the Mafia who were of no account in Sicily at all, and who were shining shoes before the Volstead act in the United States, get their tentacles in to the point of eight years, and suddenly it came to me that I was responsible. I had seen it and not recognized it away back in 1930.

I travelled in 1930 all through the United States, when the sole and only subject of social intercourse was the bootlegger. But each night, along the Erie and Ontario shores on the Canadian side our customs officers perfectly legally cleared immense cargoes of whisky to such unlikely destinations as Cuba, the Far East, and South America. But now there is such a thing as an area of dominion-provincial regulations. Let us enact a law whereby you cannot have a craft unless it be seaworthy. Why not put a little bit of common sense into it. We were dealing with a friendly country which almost brought them to the brink of ruin, because I knew Chicago at that time. But now, how many years ago was it? Thirty, and last year was 1964, making it 34 years ago. The thing has come home to roost. In the year of Canada's humiliation, namely, 1964, in December thereof, the Mafia was in charge or close to it. Unless the next man in this country cleans out the Augean stables of Canadian politics, the two major parties of this country, there is no hope left for democracy. Many people have laughed when I said this. I might have been caught in the

cross fire of machine guns on LaSalle Avenue, but mostly they operate on the south side. Do not laugh at them.

I remember when they had those big funerals. I have seen them. There would be the boys with the striped pants and the top hats linking arms with the local politicians and elected judges. Who were they following? A man who was shot three days before by their very own henchmen. You know what was said three or four nights ago by the R.C.M.P., that you might very well end up at the bottom of the river. Do not laugh at this. This is serious. It has a hell of a lot to do with the pension fund and with social security. Now I want to read you two letters.

The CHAIRMAN (*Hon. Mrs. Fergusson*): This is all very interesting, and I am sure we have learned a great deal from your presentation, but do you not think that you are straying from the subject referred to this committee?

Mr. THOMPSON: Thank you. On the other hand I am not straying. I am talking about the Holy Grail of social security upon which you have advocated the passage of this bill. You can invoke closure on me, but I suggest that you first take a poll.

The CHAIRMAN (*Hon. Mrs. Fergusson*): No, I do not think it is necessary. You may continue.

Mr. THOMPSON: I have exactly 25 minutes and I shall disappear from here forever, but I shall be working with my friends outside. Do I have my day in court or not?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Oh, yes, certainly.

Mr. THOMPSON: Because if not, I shall come to the pertinent point. But I would like to finish in order. I have put in dozens of hours in preparation.

The CHAIRMAN (*Hon. Mrs. Fergusson*): We realize that you have worked very hard on this.

Mr. THOMPSON: I have read myself out of this business in the three most glorious years in the business, and I have fought for this country at 17 years of age. Do I have my day in court, such as was denied to my friend Jimmie Coyne?

The CHAIRMAN (*Hon. Mrs. Fergusson*): I did not intend to stop you, I just thought you were straying a little from the point. But you may continue.

Mr. THOMPSON: I speak as a prisoner in the dock and as my own lawyer, but if necessary I shall bow to you. But I think it would be a fatal mistake if you stopped me.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I have told you what I thought. You may continue.

Mr. THOMPSON: Thank you. This is from a very old friend. It says: Thank you for sending me a copy of your pension scheme. It took me two or three readings to digest it. My congratulations to you on your efforts. It is indeed concise, interesting, informative and extremely well thought out. It is written by an F.S.A. It outlines the facts I have never heard of before. This government of ours works in wondrous ways, whether it be for the benefit of the taxpayer or otherwise; but the ultimate result is the same, in our having to pay for the astounding results eventually. With all apologies to the younger generation I think it will take some planning to put it into workable shape if ever. The question is: Will it work: If this Canada pension plan comes into effect, I guess it will be a case of going along with it on its careless way.

This is a letter from my old employer, one of the victims of the governor of the Bank of Canada's handling of inflation control between the years 1947 and 1951. I think it is pertinent. It reads as follows:

> I have been taking your "Pension Cake" out of the cupboard at intervals and looking it over, peeking at the filling between the layers

and admiring the skill with which it is turned out—and it gives me a queer feeling of remote unreality about the whole problem—of course I am not in any danger of being 'over-pensioned' what to do with my income is as simple as taking it in and paying it out, so I could be out there on a private satellite I am so detached!

But what of Billie and her husband and their three children—is something being set up with such evident determination by all those people who "knew not Joseph" down there at Ottawa, which will be a delusion and a snare? Miss LaMarsh looked so pleased at all the others admiring the baby in today's cartoon in the *Globe and Mail!* Even little pigs are so cute looking when they are young—and they make it possible for some people to live high on the hog—later—(thinking of those cases you cite—and you getting $720 per annum for the next 37 years, assuming that you live to be 100—and you know better than most people that hardly anyone dies at 100—so goodness knows how much longer you go—and all at a cost of $480!)

I would like now to read about the great debate. This bears an imprint in Hebrew of the famous Bank of Israel. It is not a public document except for those who attended the Tokyo meeting. I think you will find it in Mr. Rasminsky's office and in the office of the Minister of Finance. This document records the greatest debate in all history in the financial world, because never before have we debated the question whether inflation is commensurate—whether group inflation is compatible with sustained economic growth. It is 57 pages long and I have no intention to inflict it on you. I would not think of it. I want to give you the highlights of this debate. For the affirmative there were some of the greatest people in the world, supposedly. There was Douglas Dillon for the affirmative. The man who is the head of the World Bank, the head of the IFC, the head of the other associated one—the tops as it were—supported him. I think I can remember those who were on the other side. Opposed to them were the common market people. There was Pierre Schweizer for one; the head of the Bank of France opposed. With that Gallic clarity of thought he demolished the argument. It went on and on, and while that was going on—just think of the context in which this was proceeding—the plaintiffs had lost $8 billion the year before in money taken out of the United States. That is what Dillon stood for. This was what I call total irresponsibility in handling of fiscal policy with great inflation at home and causing the greatest embarrassment in the world community. So this was number one.

Canada did not participate in this debate because, whatever you say about the United States, we are two and a half times as profitable, so it was just too much to put them on.

This meeting took place in September. In August there was a gradual run developing on sterling, so the International Monetary Fund put up $1½ billion. It kept on going smartly all this time. I must say there were a couple of other poor people speaking on both sides, the poor people who wanted a stable dollar so their bills of lading could be honoured. They were afraid of being swindled. Then you had the same countries saying "for goodness sake don't cut us off from government aid."

The prime mover of this thing, Dillon, just put in a little bit of blackmail right off the bat. He said, "Don't worry about the United States; we can stop this business"—what do you call it when you are short foreign-wise?

Hon. Mr. CROLL: Balance of payments.

Mr. THOMPSON: Yes, the balance of payments; thank you very much. You know, I am getting just a little weary after all this heavy going.

Anyway, these fellows made a motion, as it were, and they said, "Now, you fellows who insist on having this chronic balance"—I am talking, you

know, of the good things, balanced budgets plus—"for goodness sake don't stop the progress of the world, just feed this back to us." Who are they saying this to? They are saying it to the commonwealth countries who, first of all, have set an example to the world in regard to expansion of trade; and, secondly, they have all suffered in two wars more than any of us. There has not been a bomb dropped on this continent yet that I know of. These people have gone through two inflations. The German fellow had pleaded with Mr. McCloy when the Marshall plan was available saying, "For goodness sake give us a sound mark. Help us to get a sound mark." These are the renegades. Whenever you are in trouble and your conscience hurts you, look around for a goat. Sure enough, *Punch* has a great cartoon of the poor little fellow down there, the culprit, and here, of course, de Gaulle and the others as if they are sinners.

Can you pervert truth to that degree? That is enough of that.

I want to read some correspondence with the Prime Minister. This first letter is written on February 23 to the hon. Lester Bowles Pearson. I quote:

> Prior to retirement, I was Vice-President and Treasurer of the Manufacturers Life Insurance Company—

Mr. MUNRO: Madam Chairman, may I interrupt? I do not mean any disrespect to Mr. Thompson at all but I think it was clearly set out in the letters from the clerk to all those wishing to present briefs that we should have their briefs and all their submissions. I am sure we have all read what Mr. Thompson had to say, and it is all going to be in the record. On that basis, we asked all the witnesses if they would be kind enough just to summarize their remarks in order that the committee would have an opportunity to ask questions.

Even a brief the size of the brief of the Canadian Life Insurance Officers' Association earlier on today was presented without taking much time, and they were good enough to make themselves available to answer the committee's questions. They did not take nearly as long to present their brief—and they are a whole association—as this witness is taking to present his.

Mr. THOMPSON: I am just covering their ground, of course!

Mr. MUNRO: I mean no disrespect whatsoever to Mr. Thompson, but I think he should have to subject himself to the rules by which all the others have indicated their willingness to abide.

Hon. Mr. CROLL: Mr. Thompson said a few moments ago that he would take 20 minutes. He said he would be finished at nine o'clock. I think we ought to listen to his presentation until nine o'clock.

Mr. THOMPSON: Yes, and I can write my recommendations.

Now I will speed up and continue to read from the letter to the Rt. Hon. Lester Bowles Pearson:

> In the press of February 21 you are reported to have "told the house that only about 30 per cent of Canadians enjoyed the benefits of private pension plans", although in August 1962 the Canadian Life Insurance Officers' Association stated that at that time, 2 million Canadian employees were so covered which, related to Canada's current work force of 4,650,000 indicates a 43 per cent coverage.
>
> You are further quoted as saying: "The urgent social need surely is to provide for the other 70 per cent, to provide in a responsible way for the 70 per cent who are not now covered".
>
> Facts contradict this statement as set out in my analysis of the Canada pension plan sent to you, your Minister of Finance and your Minister of Commerce, under the caption "Pension Cake".
>
> As stated therein, there has been an immense improvement in the lot of the helpless aged since 1952, the date of the passage of our present old age security legislation.

Prior to that date, one out of every two persons aged 70 or more required and received "means-tested" government assistance—the bitter fruits of inflation.

Which again was due to our own Bank of Canada's governor at that time not being apt enough at his job.

But thanks to OAS and benefits by "right" in increasing amounts, by 1962 less than one out of ten needed additional assistance in this age group. Today with benefits at the $75 monthly level, presumably this ratio has shrunken still further. Having in mind that there will always be needed some special assistance for the more unfortunate, nevertheless I am sure that most would now agree that OAS is now fulfilling its 1952 stated objective, viz. to place such a floor under private savings, that they together with OAS would give the most adequate security for the greatest possible number of Canadians.

To show how apt this statement is, you heard Mr. Holmes this afternoon say that life insurance companies did support the old age security scheme, and they did on the basis of this pledge; it was never designed to say that so much a month was adequate. It was a case of so much plus private savings would give the greatest benefit to the greatest number of people.

Already old age security in Canada gives greater dollar benefits on the average than does social security in the U.S.A. By "right" all persons in Canada aged 70 or more, receive $75 per month as pension for life, and in the case of husband and wife both qualifying, $150—while in the U.S.A. $68 and $102 respectively, but means-tested at ages 65 and 72 at which latter age payments become a matter of "right". These were the average payments under SS in 1962.

In my submission to the royal commission on taxation, I drew attention to the fact that the proposed "contributions" under the Canada pension plan were taxes, taxes on the work force and employers in favour of pensioners. I estimated that CPP would immediately increase such taxes by ½ billion dollars annually.

But currently all such welfare taxes paid in Canada take 13 per cent of disposable income as against 7 per cent in the U.S.A. Therefore, in this segment of taxes, our costs are nearly double those of the U.S.A., a very sobering thought for a country vitally dependent on foreign trade—and in an exceedingly vulnerable position on "balance of payments".

The Canada pension plan is fraught with great danger. I therefore plead with you to show the high degree of statesmanship which won world wide recognition, by holding public hearings on this subject similar to those held prior to the enactment of OAS. In the actuarial field alone, Canada has some of the most knowledgeable experts in the world on this subject. To refuse them a hearing is folly.

Equally important is the fact that the enactment of a universal wage-related plan, is of paramount importance to the provinces. Harmonious relationships with them in this, and indeed all other spheres, must be maintained. We simply must not "balkanize" ourselves. Premier Robarts similarly pleads.

I made a mistake in that letter and followed it up by a letter which corrected the arithmetic:

My apologies to you. In my letter to you yesterday I mis-stated Canada's present working force at 4,650,000 instead of 6,350,000, the latter figure being that used in my paper criticizing the Canada pension

plan of which you have a copy. Consequently your statement that "only about 30 per cent of Canadians enjoyed the benefits of private pension plans" is correct.

But I had intended to point out that group pension plans are only one of many ways in which the working force, employees and self-employed are currently providing for their old age.

They own individual deferred annuities, individual permanent-type life insurance policies, bonds, stocks, real-estate, and in the case of the self-employed, doctors and dentists own their practices, small businesses and farms by other self-employed.

There is no way of knowing whether these savings plus old age security will be sufficient, but present evidence is that they are, when we consider that less than 10 per cent of the helpless old aged, viz 70 or over, need supplementary assistance.

The Rt. Hon. Lester Bowles Pearson writes me on March 3, 1964, saying:

Thank you for your letter of February 23 and 24, giving me your views on the Canada pension plan.

After the introduction of the pension plan legislation in parliament, it will be fully studied by a parliamentary committee. The present legislation includes revisions of the original federal proposals, which were made following consultation with the provinces. These proposals will be fully studied by a parliamentary committee. The committee will have full power to hear the advice of interested organizations and to make any recommendations, of principle as well as of detail, concerning the pension plan, including, indeed, the recommendation, if it so wished, that the plan as proposed should be fundamentally revised. Such an inquiry provides full opportunity for the hearing of expert opinions, in addition of course to the expert opinion that has gone into the framing of the government's proposals.

I am confident that by the time the final decision is made, this matter will have received the especially intensive and prolonged public discussion that its importance merits. I appreciate your concern for the public interest in this respect.

That is followed by a telegram. I quote:

On March 3 this year your letter concluded "I am confident that by the time the final decision is made (on the Canada pension plan) this matter will have received the especially intensive and prolonged discussion that its importance merits." Todays newsbroadcast says public hearings joint committee commence January 12 terminate January 22. Eleven days for the public to voice their objections if any to the biggest financial proposition that Canada has ever faced. Are you going to permit the monumental mistake of invoking closure on those citizens who may not share your views on the beneficence of this legislation. As a pure guess I would estimate at the very minimum thirty days of twelve hour hearings.

And that was signed by S. M. Thompson.

Miss LaMarsh will not have time to read her voluminous promises. I bow to your closure.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much Mr. Thompson.

Mr. THOMPSON: I am not through yet, but if you say I am through—

The CHAIRMAN (*Hon. Mrs. Fergusson*): It was you who suggested 25 minutes.

Mr. THOMPSON: Does one have to be bound by what is one's estimate?

I will read Miss LaMarsh's wire and I will read one letter to Premier Bennett.

Hon. Mr. CROLL: It is up to the Chairman.

Mr. LLOYD: Mr. Chairman, perhaps it may not be the popular thing to do but I must insist that the witness has not dealt at all with the subject matter. He has been very entertaining. I have enjoyed hearing him. But, Mr. Chairman, there is no relevancy to the subject matter except a broad dissertation against inflation. I understand what he is getting at.

Hon. Mr. CROLL: Madam Chairman, the witness has asked to read three wires and a letter and is then prepared to conclude. Why should we not allow him to do this?

Mr. LLOYD: But, surely our tolerances reach a breaking point.

Mr. MONTEITH: Madam Chairman, the witness still has five minutes according to his first estimate of 25 minutes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I ruled he could continue.

Mr. THOMPSON: Well, you stop me if you think I am going too far.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I hope you will bring yourself back to the point.

Mr. THOMPSON: Madam Chairman, it will be very much to the point.

I want to finish up this closure business. This is a wire from Miss LaMarsh, which reads:

> Reurtel concerning Canada pension plan there has been no suggestion to my knowledge that public hearing of joint committee will terminate January 22nd. As you know Canada pension plan was outlined in white paper early in August it has been debated in House of Commons on first and second readings joint committee has met for several weeks receiving evidence and exclamatory information including actuarial report and economic analysis more than six hundred pages of evidence and information now in minutes of proceeding. Joint committee agreed to meet January twelfth to January twenty second to begin consideration of briefs and representation. This period will only permit part of the briefs to be presented. Presumably the committee will hear remaining briefs at future dates to be determined by the committee. After all public hearing are concluded committee plans to return to further detailed consideration of the proposed legislation. Hope this clarifies the question raised.

The next thing I want to refer to is a letter under date of December 14, 1964 addressed to Premier Bennett of British Columbia, which reads as follows:

> Premier Bennett:
>
> For 25 years I was chief financial officer with Canada's second largest life insurance company—and retired 3 years early because I would not compromise and accept the proposition that "creeping inflation" was compatible with sustained economic growth. I am presenting a brief to the joint committee on the Canada pension plan, where unless I am debarred, will give me an opportunity to warn the 6,350,000 members of Canada's work force, the mortal peril to them of the heavily funded CPP which money will be in your hands and those of other provincial bureaucracies to use without restraint in any direction you may favour.
>
> Thank you for your frank and revealing statement, page 15, *Globe and Mail*, December 14; "Premier W. A. C. Bennett of British Columbia made it clear his province would not follow Ontario and Quebec out of

the federal plan. We believe, says he, in co-operative federalism and we intend to co-operate with the federal government in the pension plan" he said.

Why wouldn't you? You are the man who believes in decentralized monetary control, but just how we Canadians remain a nation under these circumstances is beyond me. You are the man who arrogantly challenges the Senate of Canada to report negatively on your application for a provincial bank under the charter of the Bank Act.

Judy LaMarsh warned us all 15 months ago that a funded plan—a funded "forced savings" federally or provincially administered government plan would lead to a fascist state. Do you deny this. I expect an answer—So far, no medium of communications has dared to print my views supporting or denying this my personal view and that of Miss LaMarsh.

But, unless I am debarred, I will have an opportunity of expressing these views when I speak to my submission before the special joint committee on the Canada pension plan, so in fairness to you, I make my position clear now—as indeed I intend to do to each province—by sending copy of this letter to all provincial premiers—for all are open to the same charge—excepting your application for a provincial bank.

Yours truly,

(Sgd) S.M. Thompson, F.S.A.

May I say at this point that there has been only one premier who replied, and it was a very friendly reply. I will not read it because I am not allowed to do so. But, the person in question is Premier Lesage. Not one other premier has replied.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much, Mr. Thompson. I would like to say at this time that I take very strong exception to your use of the word closure. Neither I nor any members of this committee suggested such a thing, nor have we brought up such a word. But, several members, as well as myself, have tried to bring to your attention the fact that you were straying from the subject matter.

Mr. THOMPSON: I was referring to the 11 days; it had nothing to do with tonight.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I thought you were referring to tonight.

Mr. THOMPSON: No, the 11-day period. What is your schedule?

Hon. Mr. CROLL: We have a very full one.

Mr. THOMPSON: Once you finish on January 23 or January 24 is that the end?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Not necessarily. If we have more briefs to hear we will continue to hear them.

Mr. THOMPSON: I am very pleased to hear that. I will withdraw all remarks in respect of closure.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much. Now, at this point our witnesses usually subject themselves to questions.

Mr. THOMPSON: Go ahead.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any questions that the committee members would like to address to this witness? I believe there are none. Thank you very much, Mr. Thompson. We appreciate that you have done a great deal of work, and we are tremendously interested in this matter.

Mr. THOMPSON: What I wanted is for my grandchildren not to have to pay my pension.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I believe it was understood that if some time was left after this presentation we would continue with questioning the Canadan Life Insurance Association. Mr. Sharp and Mr. Holmes, would you please approach this table.

Mr. HOLMES: Madam Chairman, Mr. Kilgour was not able to complete his answer to a question. Could he speak on this matter at present?

Mr. CHATTERTON: Madam Chairman, on a point of procedure, I understand that if we do not finish tonight with these gentlemen we will have another chance tomorrow. Is that correct?

The CHAIRMAN (*Hon. Mrs. Fergusson*): If that is what the committee would like and if the witnesses are able to come tomorrow.

Mr. CAMERON (*High Park*): I have spoken to the delegation and they told me they will be here tomorrow morning if we require them.

Mr. MUNRO: It is very good of them.

Mr. KILGOUR: May I speak to this point now? This afternoon I was caught off guard in being unable to answer a question put by Mr. Lloyd concerning facts in relation to a statement I made about the Atlantic provinces. I have since found the information. It appears on page 380 of the proceedings of this committee. It is a statement made by Dr. Willard, and I quote:

> A second point I wish to make is that the impact of both the age reduced flat rate and earnings related benefit must be considered together in assessing the effect on assistance in any area. The flat rate benefit does have important redistribution effects for the Atlantic provinces. For instance, in 1962-63, old age security tax revenues in those four provinces amounted to about 3 per cent of the revenue collected, while old age security payments represented about 10.7 per cent of the total payment throughout Canada.

I am glad to be able to document the source of my statement.

Mr. LLOYD: Thank you, Mr. Kilgour.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I think Mr. Gray had not finished with his questions.

Mr. GRAY: Madam Chairman, I believe that when we adjourned I was asking the witness what percentage of the assets of insurance companies in Canada are invested in Canadian industry.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I did not hear your question, Mr. Gray.

Mr. GRAY: I said that I believe at the time we adjourned I had been asking Mr. Holmes what percentage of the assets of Canadian life insurance companies are invested in the common shares of the Canadian industry.

Mr. HOLMES: I had answered this question to some extent. I offered to get more precise figures if the committee wished. I do not know whether some of the other members of the delegation would like to supplement my answer. I gave an approximate answer and offered to get exact figures. This is my recollection.

Mr. GRAY: I see your colleague is anxious to say something.

Mr. TUCK: I thought I might refer the committee to rather detailed information on the common stock investments of the life insurance companies which was given by the superintendent of insurance to the standing committee on banking and commerce in connection with Bill No. C-123. This is the bill

which has been reported out of that committee and awaits consideration back in the house. I believe he gave quite detailed information, and I know that in that bill there are some provisions that the Minister of Finance hopes will operate to increase the ownership of equities by life insurance companies. The changes in the legislation relate to both the eligibility tests for common shares, it broadens them considerably, and also to the basis of valuation of common shares in the annual statements of the companies to the superintendent of insurance.

I think the only other point I wish to make on the rough 5 per cent figure of the current investments in the companies in equities is that this is based on book values; market values are greater.

Mr. GRAY: Would you agree that even at market value it would not be equal to the amount which insurance companies are presently eligible to invest in common shares under the existing law?

Mr. TUCK: In some companies, sir, the market value is up to the present limit.

Mr. GRAY: But in many it is not.

Mr. TUCK: In some it is not.

Mr. GRAY: So that while the percentage of ownership of the secondary industry in Canada has been going up, the life insurance companies have not even used their rights under the present law to counter that trend by buying equity shares of Canadian companies.

Mr. TUCK: Mr. Holmes has explained why the companies have not put larger amounts in common shares than they have done up to now, and I do not think I have anything to add to that.

Mr. GRAY: So that actually, taking into account the changes in the legislation to which you have referred and which have recently been considered by the banking and commerce committee, it may very well be that in spite of the Canada pension plan the ability of life insurance companies at least to invest in equity shares of Canadian companies will increase and possibly not decrease as was suggested in this implied criticism of the contents of the economic report.

Mr. TUCK: The ability of companies to invest depends on what money they have coming in.

Mr. GRAY: Do you disagree, sir, with Mr. Sharpe with respect to the quotation I gave from the *Financial Times* about what will happen if the Canadian pension plan comes into effect?

Mr. TUCK: I think that if the Canada pension plan comes into effect, it will result in a downward trend in our pensions business.

Mr. GRAY: You do not agree with Mr. Sharpe?

Mr. TUCK: Mr. Sharpe has explained that he was speaking of our life insurance business. My answer to your question relates to pensions.

Mr. GRAY: Did that happen in the United States?

Mr. TUCK: Mr. Holmes explained that in the United States the act was passed in 1935, and there were too few private plans at that time to have an impact. I do not think the analogy is correct. If you look at Sweden you will find there was quite a dip in the growth of assets of the life insurance companies.

Mr. GRAY: Is it true that percentagewise there are not so many private pension plans here because over 70 per cent of our work force are not covered by private plans?

Mr. TUCK: We do not think the 70 per cent figure gives the whole story I think one of our group has information on that.

Mr. HOLMES: I wonder if Mr. Linnel could speak on this. We realize this 70 per cent figure comes up in discussions of the situation. We think the committee should look at the problem, and this is an area where we feel you should secure more information.

Mr. J. M. LINNELL (*Group Manager, The Standard Life Assurance Company, Montreal*): Madam Chairman, gentlemen, the 30 per cent applies to the work force in Canada, which includes the unemployed as well as the employed, the self-employed, the unpaid family workers, farm workers, and the like. It does not only apply to employees paid by wage or salary. I do not think you should expect the self-employed to be included in employers' pension plans. You cannot include the unemployed, you cannot include the unpaid family workers. If therfore you correct the figure of the work force to the figure of employees, you get a much lower denominator, and I think you would find that for employees in paid employment the figure is at least 50 per cent, and not 30 per cent.

Mr. GRAY: In other words you are wiping out all these other groups, the self-employed, the unemployed, and people working at home.

Mr. LINNELL: I am not wiping them out; I say the figure of 30 per cent is not a relevant figure.

Mr. KNOWLES: Do they not get old also?

Mr. GRAY: Do these people not need support?

Mr. LINNELL: Yes, but in criticism of private pension plans—which I think is the criticism here—I do not think you can include the unemployed and the self-employed in employee pension plans.

Mr. HOLMES: We certainly do not. There is nothing which is reported as a pension plan on a single self-employed man. He may have an annuity or a pension with us, but he is not reported in a pension plan.

Mr. GRAY: Does this percentage not refer to the labour force?

Mr. LINNELL: Yes. According to the bureau of statistics the labour force includes, as I said, the unemployed and the self-employed and all other persons who are able to work.

Mr. GRAY: This is very interesting because I believe earlier this afternoon another of your colleagues was saying how much he liked the operations of the bureau of statistics and their definitions. However, you do not agree with their definition of the labour force.

Mr. LINNELL: They define the labour force and I think that the definition is used by many countries. It is an agreed definition of what is a labour force. However, that is not exactly the same thing as employed persons.

Mr. GRAY: No, but when I referred to the 30 per cent I was referring to the labour force. We are in agreement on that, I believe.

Mr. LINNELL: Yes.

Mr. HOLMES: I would suggest that in looking at this question whether it is a higher figure than we think it is, the committee should bear in mind that a very large proportion of this labour force to which you are referring, which numbers somewhere around 6,800,000 or in that neighbourhood, is at the present time under 30 years of age. It is quite true that the Canada pension plan is proposing to bring in people at 18 years of age. We find that the young ladies which some pension plans bring in do not get very enthusiastic about pension plans until perhaps they are 30 years of age. There is a very large fraction of this labour force about which you are worried which is in the lower age groups. It is quite true that a much smaller proportion of the people of younger ages are voluntarily in the pension plans. I would suggest that what your committee really needs, so as to size up this problem, is to find out what

proportion of the employed labour force—that is the employees of the employers—between the ages of 45 and 65 is not covered by a pension plan and looking forward to a pension. This information has never been obtained and yet it is a very important piece of information.

Mr. GRAY: Are you suggesting that in firms who have plans offered by your company you permit people under 30 years of age not to be included?

Mr. HOLMES: The individual employer determines the role of his own plan, and we will supply him with the service of a pension plan. Speaking of one firm, our own firm, the pension plan does go down to any age, 15 or 17, but this is not true by any means of all plans. The young ladies in our pension plan treat their pension plan during those early years more in the light of a savings fund, under the present situation, than a pension plan. I think that—

Mr. GRAY: But they participate?

Mr. HOLMES: Yes, but they take their money out when they marry, as most do. I am not quite certain how happy they will be about the money going in to the proposed plan for, let us say, five or seven years to provide a very small death benefit or, if they remember to apply, a small pension 40 years later.

However, all I am saying is that the committee in sizing up this situation needs to remember certain factors about this labour force of 6,800,000 odd.

Mr. GRAY: Would you then suggest it would logically follow that young ladies and people under 30 should not have to contribute to the old age security fund?

Mr. HOLMES: The old age security pension?

Mr. GRAY: You say that to look at the labour force you should include people under 30; should you not include them in figuring out what the labour force is?

Mr. KILGOUR: May I comment?

Mr. GRAY: I would like to finish my question. I would have been interested, on an earlier occasion, to hear what Mr. Sharpe had to say when he referred to his article, but you were kind enough to interrupt.

Mr. CHATTERTON: On a point of privilege; surely if another member of the delegation wishes to reply to a question or make a comment, he should be allowed to do so.

Mr. GRAY: But I had not finished putting my question. Once I finish I am not too concerned which of the witnesses before us answers, but I merely wanted the opportunity to complete my question.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Will you complete your question and one of the members of the delegation will answer you?

Mr. GRAY: You were suggesting a very interesting proposition; that is, that in determining the number of people who are properly covered by existing plans, and so on, it was not useful for us to look at young people under 30.

Mr. HOLMES: No. I was saying that the area you should look at primarily if you are testing the question of to what extent the private pension is meeting the problem of additional income in old age security, the critical area is the years, let us say, from 40 to 45. I was simply explaining certain facts about the labour force as was Mr. Linnell. However, in respect of whether people at age 18 should be brought in to pension plans, our own firm obviously thinks they should. Other firms do not agree. Surely the important question is, in respect of people from age 35 to age 65 as they approach retirement, is a serious effort made by industry to provide an additional pension for them? That is all I was saying.

Mr. GRAY: Would you consider it advantageous to give these people under age 45 opportunity to contribute to a pension plan to build up retirement benefits?

Mr. KILGOUR: I would like to comment on the two points that were made. There was some inference that we contend that young women do not like contributing to old age security. You invited that question; you said you feel young people should not contribute to old age security.

Mr. GRAY: No. I said it appeared to me from what Mr. Holmes said it would follow that you should also argue that people under 30 should not contribute to old age security, because they really are not interested in pensions at that early age.

Mr. KILGOUR: Young women who enter the working force contribute and then upon attaining age 70 are entitled to $75 a month if they never work again; but during their working years they have contributed to this old age security which they, themselves, will enjoy. If you turn to young women today under the Canada pension plan, they are an unhappily treated group. If you take a young woman who begins work at age 20 and works for five years—and she might be considered typical—if she does not again enter the labour market her benefit at age 65 under the Canada pension plan will be $6.17 a month, if she earns $2,400 a year during those five years. If that same money were invested in Canadian government annuities she would have had a pension of $16.34 a month, or nearly three times as much. You might take a case of someone who works longer, a woman who begins at age 20 and works for ten years earning an average of $3,000 per annum, and who withdraws from the labour force, marries and has a family. At age 65 she will be entitled to $15.43 a month. Had the money been invested in government annuities she would have had $40 a month.

I think you can very fairly say that the young woman who plans on working for a few years like that is going to fare very badly under the Canada pension plan. Under social security, whether she works or raises a family, she would get $75 a month. Under this she will almost invariably get less than if she had been permitted to direct her own money for her own savings.

Mr. GRAY: The $6.17 you mentioned still will be in addition to the $75 under the present old age security system?

Mr. KILGOUR: True, if she contributed to both.

Mr. GRAY: But she has to.

Mr. KILGOUR: True; in the one instance she gets a substantial benefit and in the other a picayune benefit.

Mr. GRAY: If this plan goes into effect, she will get $75 plus $6.19. If it does not go into effect, she would get only the $75?

Mr. KILGOUR: Which do you think she would prefer? I think she would like the treatment under old age security better than that under the Canada pension plan.

Mr. LLOYD: I have a supplementary question.

Mr. GRAY: I want to ask one more question. Am I correct in suggesting that if she bought a Canadian government annuity with this money she would be better off than in a private insurance company program?

Mr. KILGOUR: Unfortunately this is not so. Many companies sell at lower rates than Canadian governement annuities.

Mr. LLOYD: In making your calculations, what investment did you make? Was it 3.6 per cent?

Mr. KILGOUR: Yes.

Mr. LLOYD: In the case of a private insurance company, where there is no vesting until after ten years, what happens to the employer's portion of the stenographer's salary.

Mr. KILGOUR: In some plans it reverts to the employer.

Mr. LLOYD: It is lost to the stenographer.

Mr. KILGOUR: Yes, but in this case she would still end up ahead.

Mr. LLOYD: I am trying to show there are various facets to these calculations that should be seen in their totality.

Mr. KILGOUR: Thank you.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I have a list of people who had asked to speak this afternoon when Mr. Cameron was in the chair. The next is Mrs. Rideout.

Mrs. RIDEOUT: Thank you, Madam Chairman. My question refers back to the summary. Why would the pension structure become unstable simply because it is very complicated, as suggested in 9 (*b*)? Does the association recommend pay as you go financing to prevent the pressures on the use of the fund?

Mr. HOLMES: I am sorry; would you mind repeating your first question?

Mrs. RIDEOUT: Why would the pension structure become unstable simply because it is very complicated?

Mr. HOLMES: I think the complication does add to this problem. It becomes unstable, I would say, for two other reasons. We have presented to you the picture of the situation among old people ten years from now. We feel there will be an enormous pressure and that adoption of the plan unamended will lead to what amounts to a third plan to cover this situation that we have presented to you in Chart 2. Another source of instability in the plan does come a little later or may come at that time when additional benefits have to be considered for the people who have been left out in paying the cost. In the plan itself as you realize, and as the actuary has reported, between 20 and 30 years from now, government will have to find additional money without increasing benefits.

We frankly think that this is a very difficult operation to carry out, and that the government will have to increase its promises as it asks for increased taxes. We feel concerned about the complications of the plan, because the ordinary man on the street does not understand what it is that lies between the money which he pays in, or the young lady and the money that she pays in, and with what comes out. We feel that it is like a sausage machine, as there does not seem to be any clear, simple relation that the ordinary person can understand. We therefore feel that a plan which is not understood, that does show clearly these gaps in its benefit structure, and that suddenly demands increased contributions without any increased benefits at the same time, will be a very difficult plan to maintain.

Mrs. RIDEOUT: Does your association recommend pay as you go financing to relieve pressure?

Mr. HOLMES: I hope the committee realizes that essentially the fundamental thing we feel that is unhappy in the plan is the design of benefits. We feel this design is at the root of the trouble; you just start and only give benefits to the people who have contributed under this additional plan, and you also give them a short maturity period. We do not think this should be done. If it is done, you are faced with two alternatives: The cost on the pay as you go basis can increase next year, or the year after that and the one after that, without any increase in the promise or benefits. The alternative, which you are facing in this situation, is the 3.6 per cent which hold the contribution rate steady for 20 to 25 years and you postpone the problem of increasing

contributions without at the same time increasing benefits for 25 years. Either alternative is unattractive. But we feel, as you know, that a benefit design more in the character of old age security with a pay as you go financing would produce a stable plan.

Mrs. RIDEOUT: Thank you very much.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Cashin, do you have a question?

Mr. CASHIN: Yes, I do. It concerns this business which was disturbing me this afternoon on section VIII, when Mr. Lloyd was questioning you people. Was it established, when he questioned you on section VIII, (*d*), when you used the word "bonus" that this was a typographical error, or is this the word you intended to use?

Mr. HOLMES: No, we have used this word, and we have used the word windfall for the same feature. We have to use some word to cover it. We have regard to the benefit emerging, particularly in connection with the ten year maturity period with in, let us say, an amount of $104 or $104 escalated over ten years. The person's contribution, with the contribution of his employer will only have provided for just about 1/10th of it.

Mr. CASHIN: That is the only point. You certainly do not make it clear in your brief. It is difficult for me to ask some of these questions because you ride one horse when it suits you in one direction and another one in another direction, and I find it a little like "Alice in Wonderland", when it comes to the question of bonuses.

The definition of "bonus" does not seem to take in the ordinary use of the word, notwithstanding ten years of maturity. The plan will be in operation for "X" number of years thereafter. As I read it there, and as I understood the questioning this afternoon, you seem to be saying that the benefits are larger as your income rises, and by your confusion of the welfare measure, and your definition of welfare measure you have given a definite impression that this plan favours people in the higher income bracket as opposed to people in the lower income bracket.

Mr. HOLMES: Your last statement does represent our view. But with regard to "bonus", madam Chairman, I think Mr. Cashin's point is well taken. If you will look at page 12 you will see that we do submit what we mean by "bonus". Another word used for it is windfall. We are not happy over either word. But at the bottom of page 12 there is an explanation given, and I fully agree with Mr. Cashin, of course. Page 12 was written before the summary on page 2, and we wrote the summary on page 2 on the assumption that page 12 had been read.

Mr. CASHIN: I am going to make a statement to you and give you an illustration and ask for your comments on it. My comment would be that in the Canada pension plan, if you take the definition of bonus in relation to some of the earnings and profits, this is a bonus for those with the least pensionable earnings. And I cite an illustration, taking this in toto, of the man who makes $1,200 a year. He will retire, and in his retirement he will have $1,200 a year as a pension, and the man, in other words, in his retirement, will receive exactly the same income that he received during his working years; whereas the man at the top of the scale with $5,000 will receive $179 per month multiplied by 12, which is the lowest percentage of his $5,000. His pension in relation to the income that he earned during his working years will be less than the pension paid to the man who earned $1,200.

Mr. HOLMES: Well, I imagine from the figures you are quoting to me that you are including in the $1,200 for your man the old age security payment?

Mr. CASHIN: I most certainly am. That is part of the program.

Mr. HOLMES: I do not think we can forget that we have this old age security plan, and that we have to ask ourselves in regard to it whether it fully meets the requirements of those groups which we have mentioned to you. The Canada pension plan, the additional plan, would do nothing for many of them, and little for the rest.

Mr. CASHIN: I would make this statement to you and ask for your comment, and I would make it this way: in your case I think you have been guilty of what you suggest. I have been guilty of combining both; one is the insurance program and the other is the transfer payment in the welfare sense. I think what we are interested in as far as the worker is concerned is the amount of pension that that man is going to get. You have suggested the $1,200 pension that the man is going to get. You have suggested the $1,200 pension as inadequately treating the man with the lower income under this plan. He only earns—I am thinking particularly of fishermen, self-employed people, or people in the Atlantic provinces who only earn, let us say, $1,200 a year. They retire on $1,200 a year and the problem to them, since we are so very interested in social security, is not what the benefits are going to be in their retirement years, but what is going to be done for them to make them productive in their working years. You have really confused the control, and I find it difficult to understand why it has been done, but as far as anybody who is concerned with poverty and development of those years, you have confused—for what reasons I do not know—security and old age with the whole problem of poverty. These people make $1,200 a year and they will retire on $1,200 a year. Are you suggesting that we give them $2,000?

Mr. BERRY: I think we are going down a peculiar road. We have an existing program which does certain things for all Canadian providing a benefit which the government of Canada in its wisdom has decided they should have. I think that when you add something to it, you cannot mix the two together in order to discuss what you have done by the addition.

Mr. CASHIN: You mixed them together.

Mr. BERRY: No, I did not mix them together. I have not said anything yet. I tried this afternoon, when talking to Mr. Lloyd, and I would like to try again tonight; you have a program for Canadians now which does certain things. It does them very well. We think the things which need to be done for the aged can be done better by operating through the mechanism you have already established. But I do not think you can disguise the effect of the Canada pension plan by merging it into the other. You have established a program, and if you put this new plan into being, under which the benefits are not fully paid for, because the benefits are not fully paid for, the greatest bonuses, windfalls, or what have you, must go to the man who makes the most money. It is just as simple as that. You cannot disguise that effect by looking at the percentage of the combined totals. The Canadian today has old age security given to him as a matter of right. And if you turn around and do something to it, you are film-flamming him if you try to tell him that by putting the two together it looks different than it looked to him before. The matter at the moment is the additional benefit which you are giving to him, and, as we pointed out, the subsidy, the unpaid benefit, or whatever you want to call it rises with the earnings and the result is that you are directing money to the people who need it the least.

Mr. CASHIN: With all due respect I must ask you if you have read the white paper on the Canada pension plan, because it is quite well spelled out, and there is an example given which uses the low income man whose rate of

contribution is 6.7 per cent, and that man, with the little bit that he contributes, pays less for the benefit that he earns. Your statement about a windfall is therefore grossly inaccurate.

Mr. BERRY: That is not so. The effect of the $600 exemption is put in the rate for the windfall.

Mr. CASHIN: You are now talking about what?

Mr. BERRY: It will continue indefinitely but it is most evident in the ten year period.

The CHAIRMAN (*Hon. Mrs. Fergusson*): There are some supplementary questions. Have you finished?

Mr. CASHIN: I will pass for the supplementary question.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Munro.

Mr. MUNRO: The supplementary question I wish to ask is reated to paragraph 30 to which, I think, Mr. Holmes referred. It starts off by, for instance, endeavouring to show that the largest of these unpaid for benefits are directed to the persons with the highest incomes. For instance, in the second decade of the plan a bonus of $115 would be paid each month to a retired person whose earnings were at the maximum level, and $59 to a person whose earnings have been half the maximum.

When you talk about the bonus, I assume using that example, Mr. Holmes, you are talking about it in dollar terms. When you talked about it in percentage terms the person making half the maximum and getting $59 is actually getting over 50 per cent; it is over 50 per cent of the $115 in percentage?

Mr. HOLMES: Yes.

Mr. BERRY: But percentage simply obliterates the fact that in actual dollars you have given more to the higher earnings man than to the lower.

Mr. MUNRO: It is attractive to you apparently when you are talking dollars. The percentages also, I think, should be considered. That is my only point.

Then it goes on to say that there is no bonus to a person whose earnings rate had been $50 a month or less. He could go on and say "and no bonus to a person whose earnings had been $50 a month or less all his working life." That is what you mean.

Mr. HOLMES: No. I mean in the next ten years. We are talking about people who are 55. We are talking in the second decade of the plan of people retiring in 1975.

Mr. MUNRO: Then should it not read "no bonus to a person whose earnings have been $50 a month or less"—approximately $12 a week—"for ten years of his working life", or say his working life from 55 to 65? I think we can judge the likelihood of that eventuality and qualify that remark in view of that.

Mr. HOLMES: May I ask you to look at the actuarial report. There is a group of people who are reported as not being in the working force for one reason or another, people not at work from 55 to 65.

Mr. MUNRO: But in the example you are the one who is talking about earnings. You say there is no bonus to a person whose earnings—and therefore these people presumably are in the working force—have been $50 a month or less. I say that must be qualified to say "no bonus to a person whose earnings rate had been $50 or less for each year in the ten year transition period, 55 to 65, and "bonus" there should be qualified in that light.

I also point out in talking about the bonus relation in paragraph 30—and you give a schedule at the top of page 26—you recommend an option under the Canada pension plan and then you show your proposal, and in your proposal you are showing or including the old age security.

Mr. HOLMES: This is just old age security, that is quite clear. The man who is out of work, the man who is getting nothing, let us say throughout the ten years, the man who is only able to take on odd jobs and averaging $25 a month throughout the ten years is in the same position as the executive.

Mr. MUNRO: You agree in your recommendation of $125 that you are basing it on a change from the present old age security of $75.

Mr. HOLMES: That is right.

Mr. MUNRO: And yet in paragraph 30 you are talking about bonuses.

Mr. HOLMES: That is right.

Mr. MUNRO: You again choose to ignore the weighting effect of old age security which would vastly improve the percentages as far as the lower income brackets are concerned.

Mr. HOLMES: The percentage, but the actual bonus on the flat rate plan is greater for low revenues.

Mr. MUNRO: There is one final point, Madam Chairman, and I would reiterate what Mr. Cashin was talking about.

Again in paragraph 30 when you are talking about bonuses, you make no reference at all to anything a man who is drawing half the maximum gains from the exemption of $600. Obviously if the $600 is exempted for a man only making $2,500 a year he is going to pay much less. He is going to get a real benefit from that exemption, a benefit far greater in extent than a man making $5,000, which is certainly a factor qualifying your reference.

Mr. HOLMES: I cannot locate it.

Mr. MUNRO: Paragraph 30 is the one to which you referred yourself, comparing a man earning the maximum earnings with the man making $2,500 a year, which is half. You make no reference at all to the gain a man has at $2,500 through the exemption clause.

Mr. HOLMES: You mean the $600 exemption? That is the reason why $59 is slightly over half of $115.

Mr. MUNRO: What I am saying is that you are not reflecting this in establishing that his contribution rate for what he gets will be considerably reduced and he will get the maximum benefit of that exemption as compared with the man who is making the maximum earnings.

Mr. HOLMES: I am sorry, we have taken that into the calculation. If there was not the $600 reduction, as you say, the second man would have half the $115. He gets a benefit there of that slightly smaller contribution.

Mr. MUNRO: Madam Chairman, I will not press this, but in all fairness you do say the man making $2,500 gets $59 a month and you point out how he seems to be prejudiced through this bonus system as compared to the man making the maximum earnings.

All I am saying is that the should certainly be qualified by the exemption clause, which means that this man at $2,500 is paying far less in contributions and is getting far more benefit from the exemption clause than the man making $5,000. I think it should be referred to here for accuracy.

Mr. HOLMES: Madam Chairman, may I refer the hon. member to page 38 where we show exactly how the $115 and the $59 are calculated. This shows that the $59 man has been charged with a payroll tax of only $1,195 and the man with double the income has been charged with a payroll tax of $2,736.

Mr. MUNRO: I see the clauses you are reading but you are the one who was trying to establish the definition of the bonus based on clause 30. I think it should be based on the qualification referred to.

Mr. BERRY: I think we are at what is the crux or the very heart of the fault of the Canada pension plan. I have tried twice to say what it means. I would like to try a third time.

If you have a plan under which you direct the community resources to the people who only have need, then you direct those resources to those people so that they are in direct proportion to need. This brings you into the very difficult problem, Mr. Knowles, of means tests, and this has been a problem on which plans have foundered in the past.

In the old age security program there is no effort to decide whether the community funds are decided directly according to need, but nobody gets more than anybody else. As you go up the income scale the amount of the community resources which go to the individual are reduced because he is paying them back to the government in income tax. That is a second approach But in the Canada pension plan there is an approach which—and I do not pretend to be great expert on welfare plans—I think has no parallel in Canada, a program which is deliberately designed so that the funds of the community flow in inverse proportion to the need of the individual. You merely obscure this, sir; you say that this $600 exemption offsets this. It does not. It makes some small allowance. But the fact remains that in the first ten years and as far as we can see into the foreseeable future there will be, call them what you like, bonuses, windfalls, unpaid benefits. They will increases with the earnings of the individual up to the ceiling in the plan.

Percentages again may obscure it, but the fact remains that in actual dollars you are taking the money of the community and giving more to the man making $5,000 a year than to the man making $4,000 a year or to the man making $3,000 a year or to the man making $2,000 a year. It is as simple as that, and it is the very heart of the fault of the program.

Mr. CHATTERTON: Can a man in need live better on a $1 bonus or a percentage bonus?

Mr. BERRY: I think the question comes back to how many dollars he has, sir.

Mr. MUNRO: Without this plan you will not have percentage or dollars.

Mr. BERRY: This is not so.

Mr. HOLMES: I think we have told you we want you to consider the alternative of improving or amending the old age security.

Mr. BROWN: Madam Chairman, might I add an answer to Mr. Munro's comment. He made a statement referring to the numbers of people who might be under $50 a month at one time but might not continue to be under $50 a month during the 10 year transitory period of the Canada pension plan.

I am quoting from the census of Canada, 1961, bulletin number SX-2, catalogue number 98-516. This bulletin refers to the total population 15 years and over on June 1, 1961, and the figure in respect of this was 12,046,000 odd. The estimated number of individuals for whom figures in this report are published is 10,101,000. The difference is due to 1,298,000 persons living in rural farm households and 645,000 odd in collective households, institutions, and a few farms in urban centres which are excluded from the sample.

On page 4 it shows under the heading of total income of non-farm population, 15 years of age and over, by size of income, sex, age and marital status, without income, 2,789,335 people, and with income under $500, 877,533. Then, turning over to page 6, we find in the group for ages 55 to 64, 273,274 without income, and 98,181 with an income of under $500.

Mr. MUNRO: What age is that for?

Mr. BROWN: This is ages 55 to 64.

Mr. MUNRO: When was this?

Mr. BROWN: This is in the 1961 census.

Mr. MUNRO: Those are the figures revealed when the census taker went around.

Mr. BROWN: These were the figures published by the government of Canada in respect of the population of Canada.

Mr. MUNRO: My only objection was with clause 30, which says: "no bonus to a person whose earnings rate had been $50 a month or less." Would you be prepared to have it say: No bonus to a person whose earnings rate had been $50 a month or less continuously throughout the whole 10 year transitional period.

Mr. BROWN: That does not alter the principle that the small windfall goes to the person with small earnings and the large windfall goes to the person with large earnings, and that is taken from the community. This is upside down, and I think your experts will tell you that.

Mr. MUNRO: If I might reply to that comment, you are pointing to your definition of bonus, which I think already has been considerably qualified. But, you must remember, there is more to the Canada pension plan than the transitional period. Are you, in fact, arguing now that we should do away with the transitional period of 10 years? I would like to have your answer to that on the record.

Mr. KILGOUR: The transitional period, Mr. Munro, is only a minor factor in the whole thing. The fact is that bonuses are going to accrue increasingly to people at the top of the scale.

Mr. MUNRO: But your examples of the worst bonuses were picked out of the transitional period.

Mr. KILGOUR: You will find that the bonus continues with the escalation clause to favour those people at the top.

Mr. MUNRO: I was looking at clause 30, which Mr. Holmes said was his definition of the word "bonus".

Mr. KILGOUR: There is one point that relates to the bonus which people are getting at the bottom of this scale compared to those at the top of the scale. The Canada pension plan is supposed to apply to people who have an awful lot of problems in life, a gentleman who earns $100 a month, say, a fisherman who may have two or three children. It is highly unlikely that he is going to be able to save up at the end of the year enough to send a cheque for $21.68 to the federal government. If he can raise a family with $100 a month, then by claiming to raise his combined pension to $100 a month at age 65 we are being cynical; we are giving him more when some major responsibilities are gone than he had during the time when he had his expensive years in life, acquiring all his possessions and raising a family.

One of our points was that while this plan designedly goes down low and a man can qualify for a benefit under $600 a year, in fact, he will not. A great majority of these people may not have the knowledge to prepare a tax return. And, in the main, these large payments under the Canada pension plan will go to the employee and to the sophisticated and to those who already are making tax returns. The spread between the high and low income group is greater than the figures. We inevitably will find that the people at the real bottom, those earning, say, $600, $700, $800 or $1,000 a year, in fact, will get nothing under the Canada pension plan.

The CHAIRMAN (*Mrs. Fergusson*): There are two members who wish to ask supplementary questions, Mr. Francis and Mr. Lloyd.

Mr. KNOWLES: Can we call it 10 o'clock, Madam Chairman.

Mr. FRANCIS: On the question of bonus, I would like to make an analogy for the purpose of understanding or clarifying the point which was made. When a private plan is adopted by an employer is it not frequently the case that the employer makes the past service contributions? And, do the people who benefit in respect of these past service contributions receive something comparable to what is called a bonus? Is the same thing true in respect of a private plan and a public plan in this respect?

Mr. BERRY: In respect of a private plan past service contributions are made on the basis of their earnings, but I do not think this analogy between a private and public plan holds any water.

Mr. FRANCIS: Whether you institute a social insurance program or a private plan at the initial stage, you have the same kind of a problem; there are certain people who will draw benefits at the end of your transitional period, and there will be payments made in respect of them which cannot be calculated on an individual basis. They may not live to enjoy them but as a class they have a very actuarial expectancy. It seems to me that the same problem holds in both cases. The bonus had two features. You later refer to the bonus in respect of indexing of earnings. There seems to be two causes for the origin of the concept. The bonus comes from the transitional phase at the beginning and the higher earnings and cost of the indexing of earnings at the later phase. Is this not correct?

Mr. BERRY: I find myself somewhat confused because this is an approach to a public plan which, in my knowledge, has never been contemplated in Canada. The whole idea of public programs should be to even out the inequities that exist in society.

Mr. FRANCIS: With all due respect I do not quite agree with you. This is a social insurance program and its purpose is portable pensions which are built up to supplement old age security. This is its basic purpose, as I understand it, but because of the transitional phase this does give rise to those benefits.

Mr. BERRY: But, they will go on forever.

Mr. FRANCIS: Then, what is the origin of the bonuses as you describe them after the transitional period has passed?

Mr. BERRY: The contributions during the lifetime of the worker, because of the escalator privileges, will never amount to sufficient to pay for the benefits he receives.

Mr. FRANCIS: If the escalator phases did not work, would there be no bonuses after the transitional period?

Mr. BERRY: Not to the same extent.

Mr. FRANCIS: But would there be?

Mr. BERRY: I cannot answer that.

Mr. FRANCIS: I am trying to understand your concept, and I must confess it is very difficult to understand it.

Mr. KILGOUR: May I say a word at this point which might clarify the issue? Most private employers in setting up plans set up past service benefits, but very frequently they are somewhat less than future service benefits because neither the employer nor the employee has been contributing. I would say it is entirely uncommon to set up past service benefits identical to future service benefits.

Mr. FRANCIS: No, but there is something of an increment in respect of that employee which comes as a windfall.

Mr. KILGOUR: And the employer regards his moral liability as being identical. These people have worked for him during their lives, or the part of

their lives to which he has regard, and he is going to try to produce equitable treatment for each year they have been in his service. He gets presented with the total bill, and if he can swallow it he pays it off in ten years time, and in effect those people will have been treated entirely equitably. On the other hand, there is the escalator clause in the proposed public plan which means that these higher bonuses or windfalls for the higher salaried people will go on forever.

Mr. FRANCIS: Only because of the escalation features after the transitional period.

Mr. KILGOUR: I think I would be correct in saying that when the plan matures, if the benefit is not going to be changed, it could settle down to become an equitable plan if everybody stayed in the labour force.

Mr. LLOYD: Mr. Chairman, I kind of like what Mr. Berry was trying to get at. I think you are trying to say, Mr. Berry, and I want to put it on the record to see if I got the message from you correctly, that in the government proposal the pension plan shall be designed on the basis that those enjoying the benefits will really derive them from the taxation of those still working, that is really what it is.

Mr. BERRY: Or who may never get the benefit at all, which I think is even more important.

Mr. LLOYD: If you start such a plan and you say it shall not come into full payment of the beneficiary, say, for a generation, then most likely there would be no windfalls or bonuses as you describe them here.

Mr. BERRY: They would be minimal.

Mr. LLOYD: But the fact that we want to start the plan at an earlier date means that those people who reach the age of 65 or 70 ten years from now will be paying less taxes for their ultimate benefit than would be the case of those who pay for a generation.

Mr. BERRY: It is such a large difference that this is not a very good way to put it to say that I am going to get a $12,000 benefit by paying $900 in taxes. It seems to me it does not quite give the right impression when you say "I pay less taxes than somebody else".

Mr. LLOYD: You did agree—to take your own illustration—that in the next ten years so many members on your staff have such and such incomes. Let us assume they average 55 years of age now, and let us say each of them is liable to pay 1.8 per cent of $5,000, less the $600, which brings it to whatever the figure is, $79, a year. Let us say they pay this $79 for ten years. They will have paid in $790. They are then entitled to 25 per cent for those escalations of $5,000, or $1,250. Let us say that there is a group of 45 year olds, not 55 year olds. They will be paying in double that amount of contribution or tax, whichever you care to call it, before they reach their right to receive the same proportion of benefits for their life expectancy. The issue really is that you are giving benefit to those who come in at an earlier date; you are giving them the opportunity to get in with paying less $79 a year for the number of years you let them in. Is that not correct?

Mr. BERRY: No, sir. I am half way along to getting you to see what I am talking about. Let us take two groups of 10 people who are working at the present time, all of them 55 years of age: One group is making $5,000 or more, and one group is making $2,500. The first group will pay their $79.20 for 10 years. They will pay $792 a year and will get $1,250 for life the bulk of which comes from taxation, some of which is raised from people who are never going to have the benefit.

Mr. LLOYD: Let us not get into the details.

Mr. BERRY: This is very important.

Mr. LLOYD: Keep to your simple illustration; do not add these other side issues.

Mr. BERRY: I have these 10 people who are going to get $1,250 a year by paying $792. They have all made $5,000 a year or more. My other 10 people made $2,500 a year. They are going to pay in $396.25, and they are going to get $625 a year. You have therefore given the biggest bonus to the people who, because they had the higher earnings, should not need it as much as the people who had the lower earnings.

Mr. LLOYD: Do you not apply this principle in private pension plans?

Mr. BERRY: In private pension plans we do not have windfalls.

Mr. LLOYD: It is their own savings.

Mr. BERRY: Each person or his employer pays for his own benefit. I think this is the principal confusion, Mr. Lloyd.

Mr. LLOYD: I think we brought it out that there are two different philosophies in the approach to this problem. When you get into illustrations and you capitalize the benefits you tend to distort the two pictures.

Mr. BERRY: No, sir. In a private pension plan there is a direct relationship between the contribution and the benefit. In a public pension plan there is no such relationship, and therefore in one case the fact that I may receive a larger pension than the man who earns less than I is a horse of a different colour. I have paid for my benefit. However, in the public pension plan such as you are contemplating, because of the fact that there are large portions of the benefits which are not paid for by the individuals, you are giving free money and you are giving it to the wrong people.

Mr. LLOYD: When we started the old age pension, Mr. Berry, in your terminology the people who first came to enjoy the benefits at that date received a bonus.

Mr. BERRY: They all received the same thing. This is the important point.

Mr. CASHIN: They receive the same thing here also.

Mr. BERRY: You are missing what I think is the whole point. In the one case you have done your best to be equitable because you have given an even windfall or bonus to each individual. As a matter of fact it was a decreasing windfall with increasing income because of the effect of the income tax. In this case you are going to do entirely the opposite. You are going to increase the windfall with increasing income. It is completely wrong for this kind of program.

Mr. LLOYD: Whether it is wrong or not is the problem of this committee. All we are doing here is to identify your argument. Very clearly you believe that under the publicly financed system the benefits of the plan are paid out of collections of tax revenues. All you have to do is to examine page 19 of the *Financial Post* and there you have the graph. After so many years it dips down below the line and then you will be in a position where you are in fact paying as you go.

Mr. BERRY: Yes, eventually, unless you change the contribution.

Mr. LLOYD: So that for all practical purposes the Canada pension plan is in the long run, but not in the transitional period, a pay as you go plan. The benefits will be paid from tax revenue designed to finance it.

Mr. MONTEITH: What is the date of the *Financial Post*?

Mr. LLOYD: January 9.

Mr. BERRY: I am afraid we keep sliding from one concept to another.

Mr. LLOYD: That is exactly right. My point is made. You have agreed with that in your criticism of this plan.

Mr. BERRY: You did not let me answer. You said that we come into a pay as you go program. I say that is true, but there is still no relation between the contribution and the benefit because the contribution is not coming from the people who are receiving the benefit.

Mr. LLOYD: There is no question about it.

Mr. MONTEITH: Madam Chairman, we will all be able to think more clearly tomorrow.

Mr. CASHIN: I have a question left for tomorrow.

The CHAIRMAN (*Hon. Mrs. Fergusson*): We will adjourn until tomorrow at 10 o'clock.

APPENDIX A2

REPLIES TO QUESTIONS RAISED DURING THE MORNING SESSION, DECEMBER 15, 1964, OF THE JOINT COMMITTEE ON THE CANADA PENSION PLAN

1. *Question:* Can recent data on government expenditures on health and social welfare in Germany, France and Sweden be added to the report "Comparison of Social Security Expenditures in Australia, Canada, Great Britain, New Zealand and the United States, Fiscal Years 1958-59 to 1962-63", which was included as Appendix "X", on pages 604 to 611, in the proceedings of this Committee? The most recent data for these countries contained in the report on The Economic Implications of the Canada Pension Plan (Appendix "S", page 410) were for the year 1957.

Answer: One of the main difficulties in developing data of this nature for foreign countries is the problem of defining uniformly for purposes of comparison the concept of "social security expenditures". This problem is accentuated when it is necessary to rely on the translation of rather technical terms, and when the required documents are themselves difficult to obtain.

A publication of the International Labour Office entitled "The Cost of Social Security, 1958-1960", which has been released only recently, uses a definition of social security expenditures which is reasonably close to that used in the report included as Appendix "X". The figures in the following table have been taken from this ILO study, and indicate the relative percentages of Gross National Product spent on health and social welfare in Germany, France, Sweden and other countries in 1958, 1959 and 1960. For purposes of comparison, the figures given in Appendix "X" are shown in brackets.

Social Security Expenditures as Per Cent of Gross National Product at Market Prices, 1958 to 1960, Selected Countries

Country	1958	1959	1960
Germany	17.3	16.7	16.1
France	14.0	14.1	13.9
Italy	12.6	13.0	12.7
Sweden	12.4	12.5	12.4
New Zealand*	11.2	11.9(11.2)	13.0(12.3)
United Kingdom*	9.9	10.8(9.8)	11.0(10.0)
Canada*	7.8	8.5(8.4)	8.9(8.5)
Australia*	7.7	7.6(7.5)	7.9(7.4)
United States*	5.9	6.5(6.3)	6.3(6.3)

* Data relate to fiscal year ending in the calendar year set out in the heading.

Sources: International Labour Office, *The Cost of Social Security 1958 to 1960,* Geneva, 1964.

Department of National Health and Welfare, Research and Statistics Division.

2. *Question:* On what earnings base would contributions be made in the year 2050 on the basis of your assumptions and what would the maximum pension be?

Answer: Contributory Earnings Limits and Maximum Pension in 2050

	Assumed Rate of Increase in Average Earnings	
	3% per annum	4% per annum
Contributory Earnings Upper Limit	$ 51,700	$ 106,708
Contributory Earnings Lower Limit	6,204	12,805
Maximum annual amount of pension	12,552	25,664

Note that the amounts of the earnings limits are not in even hundreds of dollars as required by the terms of Bill C-136. However, they are in accordance with the assumptions used for the actuarial estimates as requested.

APPENDIX A3

THE CANADIAN LIFE INSURANCE OFFICERS ASSOCIATION

Office of the President

DECEMBER 31, 1964

To the Co-Chairmen and Members of the Special Joint Committee of the Senate and House of Commons on the Canada Pension Plan

Dear Mesdames and Sirs:

The Association's submission to your Joint Committee is attached. We hope that the views and information in it will be of use to the Committee.

A complex proposal like the Canada Pension Plan raises many questions. In our view the following are important:

1. Have Canadians through their government
   —a greater obligation to the future aged than to the present aged?
   —a greater obligation to older persons who had above-average earnings when working than to older persons who had smaller or no earnings?
   —a greater obligation to women widowed during and after 1969 than to women widowed before 1969?
2. Is it wise to introduce a Plan, involving taxes equal to a 23% increase in personal income taxes, without first investigating what welfare needs are greatest?
3. Could the Plan be maintained in its proposed form without major overhaul because of its inequities?
4. Is it right to embark on a plan that assumes a future government would be willing to increase the payroll tax without increasing the benefit scale?
5. Would the indexing of benefits have inflationary effects and would it be possible to resist pressures for the indexing of other government obligations?

Approval of the proposed Canada Pension Plan would imply affirmative answers to each of these questions. The reasons why the Association believes they cannot be so answered are set out in the attached submission.

Respectfully submitted,

H. L. Sharpe,
President.

THE CANADIAN LIFE INSURANCE OFFICERS ASSOCIATION

Submission to the Special Joint Committee of the Senate and House of Commons on the Canada Pension Plan

January, 1965

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I. Introduction

1. The Canadian Life Insurance Officers Association consists of 102 Canadian, United States, British and other European companies. These companies have in force 99% of the life insurance business in Canada (excluding fraternal insurance) and serve 10 million policyholders.

2. The provision of pensions and annuities represents about one-quarter of the business of these companies in Canada. Also, the proceeds of most life insurance contracts can be used for retirement income.

3. The pension plans which the life insurance companies administer cover about one-quarter of the number of Canadians in all private plans. Plans administered by trust companies, the federal Government Annuities Branch and employers themselves cover the remainder.

4. The life insurance companies have had long experience in the provision of retirement, death and disability benefits. They have qualified officers and staff able to assess the long-term as well as the short-term problems in this field.

5. The life insurance companies proposed to a similar Joint Committee in 1950 a program of universal benefits for the aged like that later adopted. They believe their views assisted that Joint Committee and hope that this submission will be similarly helpful.

6. Since 1958 the Association has advocated the provision of universal basic benefits both to widows and to the permanently disabled with dependent children.

II. Summary

7. The life insurance companies contend that the proposed Canada Pension Plan is a poorly-designed welfare measure. They believe that adjustments in, and additions to, the present Old Age Security program would meet the needs of Canadians more satisfactorily and more economically.

8. The essential differences between the Old Age Security program and the proposed Canada Pension Plan are:

(*a*) When the Old Age Security program was introduced everyone age 70 and over received benefits. The Canada Pension Plan would provide nothing for to-day's aged.

(*b*) Old Age Security provides benefits for everyone reaching a stated age. The Canada Pension Plan benefits would be based on earnings and Canadians not in employment and those with low earnings would receive nothing.

(*c*) Old Age Security benefits are the same for everyone. The Canada Pension Plan benefits would rise with earnings and thus provide the most for those least in need.

(*d*) Old Age Security creates bonuses for the needy in that the special taxes they pay to support Old Age Security are less in value than the benefits they draw. The Canada Pension Plan would provide the largest bonuses to those with the highest pensionable earnings.

These differences arise from the basic misconception that an earnings-related plan can be the most satisfactory welfare measure for Canada. It cannot be. Such a plan cannot be universal and its benefits cannot be geared to the needs of the aged because these needs are normally greater for those persons whose earnings were the least during their working years.

9. The Canada Pension Plan approach compares unfavourably with the Old Age Security approach in a number of other respects:

(*a*) The cost of this year's Old Age Security benefits can be, and is, paid for from this year's taxes. Canadians and their government know exactly where they stand and are not leaving deficits for succeeding generations. The Canada Pension Plan financing would involve a pushing forward of costs from generation to generation.

(*b*) The structure of Old Age Security is clear and simple and the effect of proposed increases in benefits or adjustments of the commencement age are readily discernible. The Canada Pension Plan's proposed structure is very complicated and would be bound to become unstable. Pressures to use the fund to fill in the gaps in the Plan's cover would certainly develop. If these succeeded, the fund would have to be rescued by an increase in the payroll tax.

(*c*) The administration of Old Age Security is simple. In contrast, the administrative problems for the Canada Pension Plan would be substantial.

(*d*) Integration of Old Age Security and private pension plans is straightforward. Integration of the Canada Pension Plan and many of the private plans would be complicated.

10. Among the economic implications of the Canada Pension Plan, one of the most serious is the precedent that would be set by the indexing of benefits. Surely the adoption of this principle would be an open admission that inflation may not be controllable.

11. Finally, the addition of the Canada Pension Plan to Old Age Security would result in nearly one-half of the population having little incentive to supplement by private saving the retirement income to be provided by their government. This would be a large scale surrender of individual initiative and responsibility.

12. These points are developed in detail in this submission and an alternative to the establishment of the Canada Pension Plan is proposed.

III. Main Features of the Canada Pension Plan

13. The Association's comments on the main features of the Plan, as described on page 7 of the White Paper, are set out briefly in this Section.

Coverage

> "The Plan is comprehensive in the sense of covering as many people as is practicable."

14. In this sentence the White Paper discloses the essential difference in coverage between the Canada Pension Plan and Old Age Security. Because it is earnings-related, the Canada Pension Plan cannot be universal and many in the groups not covered are the least fortunate in the community.

15. These groups include:

—persons whose earnings are less than $600 a year (or $800 in the case of self-employed)
—persons presently unemployed
—persons in "excepted employment"
—persons not in receipt of cash remuneration
—persons now aged, widowed or disabled

There would appear to be about one million Canadians in the first four categories; many of these have dependents who also would not benefit from the proposed Plan. There would be another million in the fifth category.*

16. The fundamental aim of a compulsory social security measure should be to provide protection for persons who specifically need help or for everyone in a population group where need is widespread.

Amount of Benefit

> "It is not intended to provide all the retirement income or survivors' income which many Canadians wish to have. This is a matter of individual choice and, in the Government's view, should properly be left to personal savings and to private pension plans... The purpose of the Canada Pension Plan is to make reasonable minimum levels of income available at normal retirement ages, and to people who become disabled, and to the dependents of people who die. There will be scope for the continuation and extension of private pension plans to provide benefits over these minimum levels."

17. Old Age Security now provides a comparatively high "minimum level(s) of income". Government benefits in few other countries are as high in relation to per capita gross national product. In these terms the average benefits now being paid to the aged in the United States and the United Kingdom are three-quarters of Canada's $75 benefit. Even if the benefit increases proposed recently in the United States and United Kingdom were in effect, the present Canadian Old Age Security benefit would still be significantly higher.

18. Putting the benefits of the proposed Canada Pension Plan on top of Old Age Security would result in substantially larger retirement benefits in Canada than in the United States. Chart 1 compares the "mature" benefits proposed in the United States and Canada.

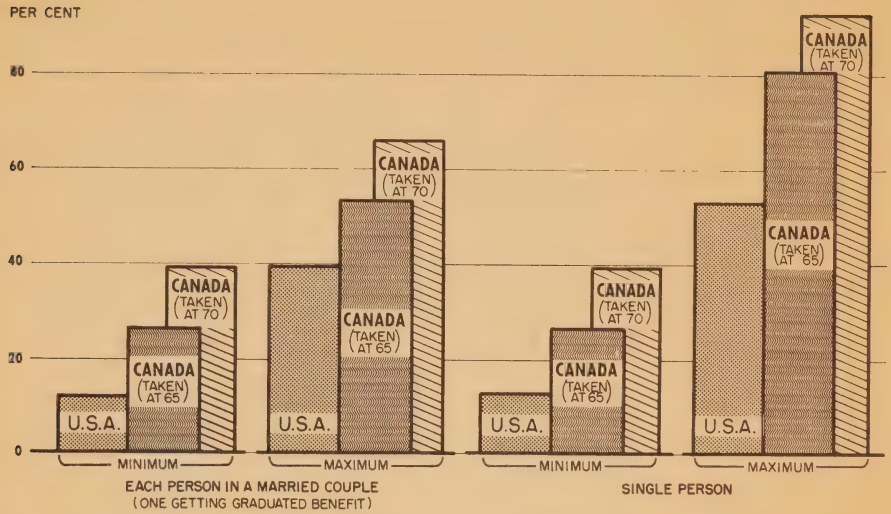
19. The White Paper refers to the objective of leaving scope for private saving. The retirement income that would be available to a married couple from Old Age Security and the proposed Canada Pension Plan would represent a substantial proportion of pre-retirement income (see Appendix 1). Nearly one-half of the families in the nation would feel little incentive to save for their own retirement.

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* These figures are for the whole of Canada.

CHART 1

PROPOSED GOVERNMENT RETIREMENT BENEFITS AS PER CENT OF CURRENT PER CAPITA GROSS NATIONAL PRODUCT



The chart relates to the minimum and maximum benefits for a single person and a married couple in which one qualifies for a graduated benefit. It is assumed in the case of the Canadian couple that both take Old Age Security at the same age. In the case of the United States program it is assumed that changes proposed last summer are in effect; a number of years would elapse before U.S. beneficiaries would qualify for the maximum benefits shown. The chart also assumes no adjustment in the Canadian benefits for price increases or in the U.S. or Canadian benefits for changes in the benefit formulae.

A retirement test applies to the U.S. benefit up to age 72 and would apply to the Canadian graduated benefit up to age 70.

20. The impact of the Plan where a generous pension plan exists is illustrated by the proposed scale of government and employer-employee benefits for federal civil servants, as described by the Parliamentary Assistant to the Minister of Finance in the House of Commons on November 18, 1964 (Debates, page 10233 et seq.). Assuming a man earns $5,000 a year in 1966 and that his earnings go up with the indexed earnings ceiling of the Canada Pension Plan, on retirement at age 65 it appears that he and his wife (if the same age) would receive:

Retirement Date	Years of Service	Total Pension Benefits as % of Final Salary*
Jan. 1, 1976	35	111%
Jan. 1, 1876	20	82%
Jan. 1, 1986	35	97%
Jan. 1, 1986	20	70%

* Pension benefits in this Table include: Old Age Security, proposed Canada Pension Plan and "integrated" public service superannuation benefits.

The percentages would be lower if he earned more than asumed; higher if he earned less. Your Committee will wish to confirm that the above figures are correct. If they are, there would appear to be little scope for individual saving for retirement in these cases.

21. The addition of the Canada Pension Plan to Old Age Security goes far beyond the objective of establishing "minimum level(s) of income" at retirement and leaves little scope for private saving in the pensionable earnings area. The Canada Pension Plan would extend the government's role to the point of producing relatively large pensions for many people while ignoring the pressing needs of others.

Commencement Age

> "The present minimum provided in Canada is the old age security benefit of $75 a month from age 70, but many people are unable to go on earning until they reach age 70."

22. The Association agrees that this is a problem and recommends that, when the economy can afford it, full Old Age Security benefits should be made available earlier than age 70 on an appropriate basis (see Section VII).

Type of Benefit

> "Adequate levels of pensions cannot be realistically achieved, in a country like Canada, simply by increasing the flat-rate pension. Living costs vary greatly between town and country, and between different regions of Canada. What people need, if either retirement or the death or disablement of the head of the family removes their regular income, is related in part to the level of earnings to which they have been accustomed."

23. The key words are "what people need". Presumably it is "unmet" needs to which reference is made, i.e., those that cannot be met from a person's own resources and the present Old Age Security benefit. As shown in Appendix 2, the Dominion Bureau of Statistics has some information that seems to suggest that unmet needs vary inversely, rather than directly, with the level of pre-retirement income.

24. Does the Canada Pension Plan fit unmet needs? One example in the Actuarial Report shows that a person earning $5,000 or more would receive an annual benefit of $1,356 from the Plan. However, to a person earning $2,500 the government would say in effect: "You are entitled to only half as much and shall have $678." Surely this is "upside-down welfare", particularly when only a small fraction of the benefits would have been paid for (see paragraph 29). Higher-income persons are better able to build up their own resources for retirement than lower-income persons.

25. The fact that living costs vary to some degree in different parts of Canada does not justify an earnings-related program. The differences in pensionable earnings within any given community are far wider than the differences in living costs among communities. Old Age Security narrows income differences whereas the Canada Pension Plan would widen them. No government plan should have this latter effect.

IV. The Plan's Benefit Structure and Welfare Aspects

The Needs

26. Among those in need is a large proportion of the present aged, as well as both widows and disabled persons with dependent children now in their care.

Amongst the present aged, available evidence indicates that those who have been retired for some time are more in need than those newly retired. Persons now retiring appear to be more in need of help than those who will be retiring in ten years or more. In the main, persons not in employment and those with low earnings are least able to keep up with rising standards of living. Some information and comments regarding the above patterns of need are set forth in Appendix 2.

The Proposal

27. The salient characteristics of the proposed Canada Pension Plan are:

—no benefits to to-day's aged
—no benefits to those now disabled, widowed or orphaned who are unable to enter the Plan
—the biggest benefits for the minority who earn $5,000 a year or more
—the smallest benefits for workers with low or spasmodic income
—no benefit credits for persons earning less than $600 (or $800) a year or for their dependents
—the biggest benefits for workers ten years or more from retirement when the Plan commences
—smaller benefits for workers less than ten years from retirement when the Plan commences
—after the transition period, the smaller benefits to those longer in retirement; for example, a person in retirement would get a smaller benefit than a person just retiring even though their pensionable earning records were identical (because benefits being paid would be linked to prices and new awards would be linked to average wages which normally rise faster than prices)

Further details are given in Appendix 3.

28. The Plan is termed a "contributory" program and this may lead many people to believe an individual would get out of the Plan the value of his "contributions" plus interest. In fact, there would be only the most indirect relationship between a person's benefit and the tax paid in.

29. To illustrate the lack of relationship, an individual taxed during the first ten years of the Plan and then retiring at age 65 or over would draw a benefit with a value of at least nine times the total tax paid by him and on his behalf, accumulated with interest. As a specific example, the seven members of the Officers' Committee of the Association would, on the average, receive retirement benefits valued at 9.8 times the total taxes paid in with interest; the value of the benefits would exceed the taxes plus interest by more than $77,000.

30. The largest of these unpaid-for benefits are directed to persons with the highest incomes. For instance, in the second decade of the Plan a bonus* of $115 would be paid each month to a retired person whose earnings had been at or above the pensionable maximum, $59 to a person whose earnings rate had been $50 a month or less.

31. These bonuses would not necessarily be a temporary characteristic of the proposed Plan. If Canada's current rate of progress were to continue indefinitely, the amount of the bonuses and the disparity of treatment as between above-average and lower income groups could become greater from year to year. As an illustration, in the year 2013 the Plan could be paying each month

* By "bonus" is meant the value of the pension not paid for by taxes collected from the pensioner or his employer, plus interest.

a bonus of $208 to a person whose earnings had been at or above the pensionable maximum for most of his working life and $114 to a person who had earned half the maximum (see Appendix 3, paragraphs 9 to 13).

32. The possibility of bonuses in perpetuity has all the wonderful attractions of a chain letter. As long as the present growth rates of the population, the employed labour force and wages continue, the time of reckoning can be deferred indefinitely. However, a slowing down of these growth rates could quickly bring on that time of reckoning. Any such slowing down could undermine the whole structure of the Plan because much higher payroll tax rates would be necessary to continue promised benefits to existing pensioners. These higher tax rates might be required at the very time a tax cut would be desirable to stimulate the economy.

The Proposal in Relation to Needs

33. The benefit structure of the proposed Canada Pension Plan is completely inconsistent with the patterns of need set out in paragraph 26. The Plan would fail to help those most in need. Conversely, it would favour certain persons with above-average incomes, the very people who should be in the best position to build up their own retirement and other resources and who are likely to be least in need. These are permanent features of the proposal.

34. Moreover, the Plan appears to be based on the assumption that government has a greater obligation to persons who happen to be age 65 or younger at the outset of the Plan than to persons who are older. In fact, by 1976 two of every three Canadians then age 65 and older would be getting no benefits from the Plan. Of the others, only 1.5% would be receiving the maximum benefit and 32% would be receiving less than the maximum (see Chart 2 and Appendix 3).

35. The prospect of receiving large bonuses in 1976 is disturbing to the Association's Officers and should, in their view, be equally disturbing to all thoughtful Canadians. No one in a position to save for his own retirement should look with equanimity on the fact that he would receive bonuses from a Plan that would provide nothing for the majority of Canadians in retirement.

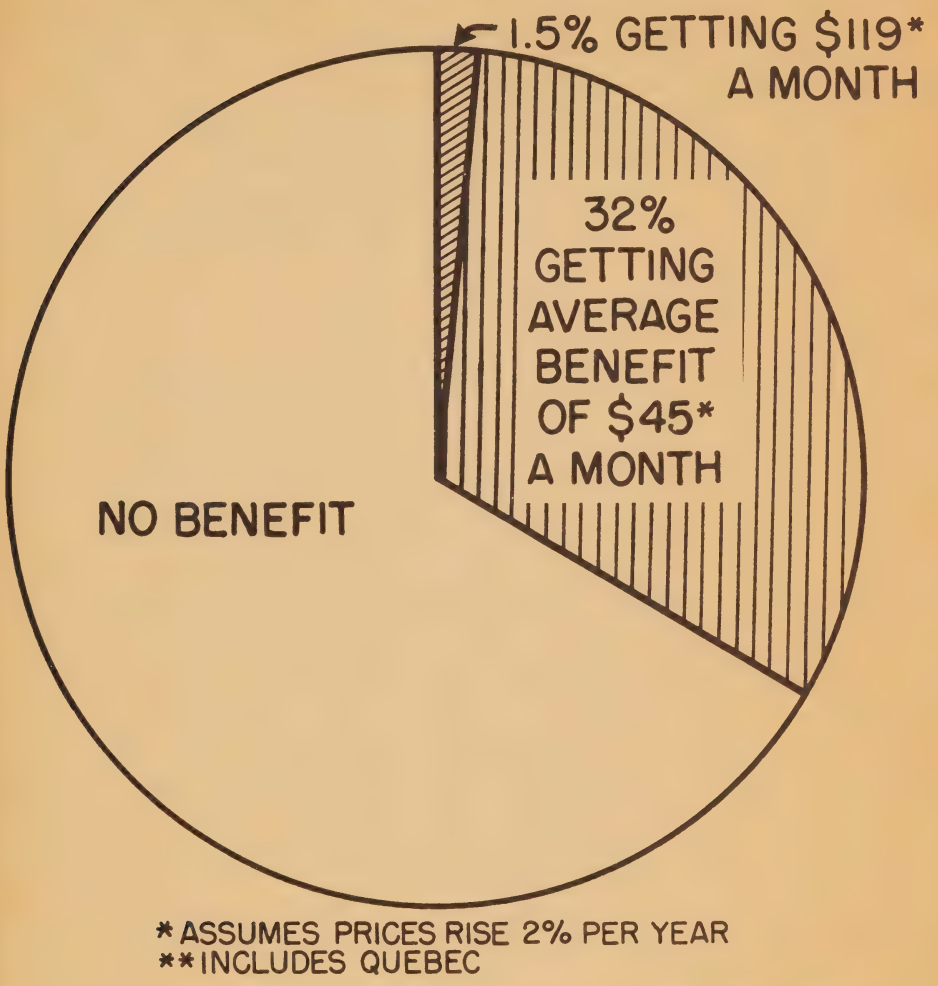
36. The pattern of benefit payments should be studied for other years in addition to 1976. It would be helpful to have, at the minimum, a survey by the Actuary for 1971, 1981 and 1986, as well as for 1976, of the numbers who would be receiving no benefit, benefits of 0-$50 per month, $50-$100 per month, $100-$150 per month and over $150 a month. The survey should also include a calculation of the bonuses receivable by various income categories in these years.

37. In the Association's view, social justice should be the criterion of a government welfare plan. The Plan should help most the least fortunate members in the community. So long as there are groups in the community obviously in need of welfare help, a system of graduated pensions involving misdirected bonuses should not be established because such a system would discriminate against the least fortunate. Such a system represents a reversal of the traditional patterns of progressive taxation and redistribution of incomes.

CHART 2

BENEFIT STRUCTURE OF PROPOSED CANADA PENSION PLAN AT THE END OF 1976

PER CENT OF 1,880,000 CANADIANS AGED 65 AND OVER WHO ARE RETIRED AND RECEIVING BENEFITS* *



38. The Old Age Security program involves unpaid-for benefits but the largest of these go to the least fortunate. Welfare extensions consistent with this principle and more rational from the standpoint of fair treatment and need and universality than the proposed Canada Pension Plan are set out in more detail in Section VII of this submission.

V. The Instability of the Plan

The Objective

39. Since government welfare programs, once begun, are seldom withdrawn, it is essential that their structure be sound and enduring.

The Proposal

40. How would the Canada Pension Plan stand the test of time? The starting assumption is that benefits would be paid only to "contributors" who retire after the Plan begins. Two consequences flow from this:

(*a*) The proportion of the retired population receiving benefits would go on increasing for many years. In a very real sense the transition period would be about 35 years. During this period the benefit load which the working population must bear would increase from nil to large amounts. This can be illustrated from Tables 3, 7 and 11 of the Actuarial Report as follows:

Percentages of Contributory Earnings Required to Provide Benefits and Expenses—Intermediate Cost Estimates

	Using an Assumed Rate of Increase in Average Earnings of	
	3% per annum	4% per annum
Year		
1970	.68%	.67%
1975	2.20%	2.14%
1980	3.61%	3.40%
1990	5.15%	4.69%
2000	5.46%	4.88%

(*b*) The increasing benefit load presents a problem in setting the rate of payroll tax. The 3.6% rate that has been chosen would solve the problem only for a relatively few years.

41. The Actuarial Report forecasts that the government will be confronted with a dilemma in the 1980's. To maintain the benefit schedule, the payroll tax would have to rise or the fund be reduced. The second alternative would involve requiring the provinces to repay the monies loaned to them. This could happen at an awkward time for the provinces. In any event, the reduction of the fund would lower the interest income of the Plan and make a tax increase inevitable.

42. To solve the dilemma of the 1980's by an increase in the tax rate would put the government under pressure to liberalize benefits. This would build up the Plan's future commitments and repeat the pattern of the increasing benefit load. Under the Social Security system in the United States the contingency fund has gradually dwindled relative to the benefit load and the stage has now been reached where any extension of benefits involves an immediate increase in the tax intake over and above the scheduled rise in the tax rate to $9\frac{1}{4}\%$ in 1969. This history of rising taxes would inevitably be repeated in the case of the Canada Pension Plan.

43. The government might well face this dilemma long before the 1980's. It would soon be generally realized that many of the aged and the needy would never qualify for the Plan's bonuses and that a huge fund was being built up for others. This would result in demands for more widespread benefits. This recent Committee of Inquiry into the Unemployment Insurance Act, for example, observed how the very existence of a large public fund led to benefit liberalizations.

44. Some participants in the Plan might themselves exert pressures for higher benefits and hence higher bonuses. Because these misdirected bonuses could be a feature of the Plan indefinitely (see paragraph 31), the pressures

would arise again and again. This defect has been avoided in the United Kingdom graduated scheme where no bonuses are provided and has been minimized in the United States Social Security program where the benefit formula is weighted against higher earnings.*

45. The complexity of the Plan would in itself contribute to the pressures for change. Few contributors would understand the lack of relationship between an individual's payroll tax and benefits or the extent of the differential.

The Proposal in Relation to the Objective

46. Because of the widespread dissatisfactions, misunderstandings and irresistible pressures for greater benefits, it would appear that the proposed Plan simply could not continue for long without extensive changes. The Association questions the propriety and wisdom of launching an inherently unstable Plan.

47. In sharp contrast, there is no inherent instability in the structure of the Old Age Security program.

VI. Economic Aspects of the Plan

The Objective

48. It is imperative that any new welfare measure not impair economic vitality and productivity. As stated by Mr. Graham F. Towers, former Governor of the Bank of Canada, "we must avoid the trap of trying to do something for the individual and failing because it did not work out satsfactorily for the country as a whole".

Tax Priorities

49. The proposed payroll tax would fall on three-quarters of a million† Canadians not now paying personal income tax. These new taxpayers would be the people qualifying for the smallest benefits.

50. By ignoring the personal and dependents' exemptions and reaching down to lower incomes, the government is tapping what the Canadian Tax Foundation has described as the only major revenue producer left at the federal level. In the first years of the Plan's operation the tax would average more than $600 million a year for Canada as a whole, about 10% of the total tax revenue of the federal government in 1963-64. This is the equivalent of a 23% increase in personal income taxes. To raise $600 million through the corporate income tax would require an increase in the effective rate from 37% to 51%; to raise it through the federal sales tax would require an increase in the rate of about 15%.

51. These new taxes are additional to the $1 billion cost of existing programs for the aged. The cost of the present and proposed programs together would equal a 10% payroll tax on pensionable earnings between $600 and $5,000 a year. This initial cost would increase.

52. The proposed new tax burden raises the question of priorities for government spending. Should Canada launch a costly additional pension plan or any other welfare plan when there is a need to look after the present aged and to devote vast amounts of money to improve education and research? The Chairman of the Economic Council of Canada estimates that Canada's scientific and technological skills are 25 years behind those of the United States and our

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* Under the United States Social Security program relatively higher benefits are paid to covered taxpayers with low earnings than to those with high earnings. Also, benefit calculations are influenced by lower previous ceilings on earnings.

† This figure is for the whole of Canada.

economic development ten years behind the rest of the western world. It is widely agreed that higher education and more specialized vocational training are necessary to solve the more persistent problems of unemployment and human adjustment to automation.

Inflation

53. The proposed Canada Pension Plan employs indices to determine pension benefits. This has grave implications. Indexing pensions could lead to an indifference to inflation. Indeed, large sections of the community would think they were sheltered in part from continuing inflation and would develop a vested interest in it while other sections would be left to carry an unfair share of the burden.

54. As time goes on and graduated pensions become available to an ever-widening segment of the population, there would likely be demands to extend indexing. There have already been examples of this. Some earlier versions of the Plan called for indexing the benefit calculation at retirement but not after. Later, provision was made for indexing after retirement as well as before. Now indexing is proposed for Old Age Security. This has already prompted one provincial Premier to discuss the indexing of Old Age Assistance and an organization of civil servants to propose indexing of their pensions. Soon there could be demands for indexing other government commitments, for example, Canada Savings Bonds, government annuities and so on. In Sweden, where indexing of graduated pensions was introduced in 1960, a goverment study group recently came out in favour of the indexing of government bonds.

55. Loss of faith in money as a store of value could ultimately destroy the incentive to invest money at interest with a consequent serious reduction in personal saving by Canadians. Since the report of the Department of Finance on "Economic Implications of the Canada Pension Plan" does not deal with this point it is strongly urged that your Committee and others, including the Economic Council of Canada, give it intensive study before the proposed Plan is approved.

56. In making these comments on indexing the Association is not opposed to appropriate adjustments of the Old Age Security benefit to keep the floor of protection for the retired population in line with the standard of living of the working population. This could be done by the formation of an advisory committee, such as has been proposed in connection with the Canada Pension Plan, charged with assessing regularly (i) the economic status of the aged in relation to the work force as the basis for adjustment of the Old Age Security benefit and (ii) the priority of all social welfare needs in Canada.

Private Savings for Retirement

57. Pension plans are of course not the only way of saving for retirement. Other important forms are the ownership of businesses, farms, homes, insurance, annuities and registered retirement savings plans. Thus, in a prosperous economy, a large proportion of Canadians will have resources to take care of them in their retirement years. It would appear that the financial position of Canadians at retirement has improved materially in recent years.

58. The White Paper seems to minimize the very substantial problems of integrating private pension plans with the proposed Canda Pension Plan. The disturbance would be greatest for the older and more liberal pension plans, the ones that have done the most for their members. The problems of integration would be made more difficult by the short transition period of 10 years, the indexing and the $600 earnings exemption in the government Plan. In the

five European countries that have indexed their initial pension formulas, the government program has driven private plans out of the pensionable earnings area.

59. It has been said that Social Security in the United States has not inhibited the growth of private pension plans. When Social Security was introduced private plans were few and far from liberal. Also, there is today greater room for expansion of private plans in that country than there would be in Canada if the Canada Pension Plan is adopted because the benefit scale in Social Security is not as high as the combined benefits under Old Age Security and the proposed Canada Pension Plan. United States experience is not a guide to the probable impact of the proposed Canadian plan on private pensions.

60. Many of the private pension plans in Canada cover the employees of large, unionized firms. Cutting back the private pension expectations of this important part of the labour force could be a cause of serious contention in labour-management negotiations.

Matters for Further Study

61. The Economic Report of the Department of Finance became available as this submission was being prepared. Some preliminary observations of the Association are:

(*a*) The Report makes no assessment of the effect of the new tax burden on priorities for government spending (see paragraphs 49 to 52).

(*b*) The Report does not deal with the inflationary implications of the indexing of pensions (see paragraphs 53 to 56).

(*c*) The Report discusses several effects of the reduction in personal savings. It does not discuss the effect of the reduction on Canada's ability to repatriate ownership of foreign-owned enterprises. Funds for this purpose originate mainly through the accumulation of personal savings rather than from business saving or from governments.

(*d*) The Report compares contributions to the Plan with "personal saving", "business saving" and "national saving". It appears that the figures for contributions and "personal saving" are "net" but the figure for "business saving" is "gross". If this is so, "national saving" has a large "gross" component and some estimate of the effect of using "net" figures throughout the comparisons would be desirable.

(*e*) The Report states that the contributions to the Plan are moderate in relation to annual increases in labour costs. Control of production costs in an economy as dependent as Canada's on international trade, and one with a chronic deficit in its balance of international payments, is a prime essential. Most workers depend for their jobs on export industries and secondary manufacturers competing with imports.

(*f*) The Report lists the proportion of social welfare payments to gross national product in several countries. Having regard to our close economic ties with the United States and the magnitude of our trade and balance of payments deficit with that country, comparison with it would appear to be more important than with other countries.

It appears to the Association that further study of these points would be desirable to assist in your Committee's deliberations.

VII. Recommendations

62. The following are the Association's suggestions for amendment of the Old Age Security program. The amended program would, in the Association's view, serve Canada better than the proposed Canada Pension Plan.

63. The commencement age and the level of the Old Age Security benefit can, and should, be adjusted as the needs of the aged require and as the resources of Canada permit. The proposal in Bill C-136 to lower the commencement age to 65 is welcomed by the Association. However, a higher minimum than $51 a month can be justified for persons who have retired from employment. One way to assist in meeting the needs that exist would be to provide the following benefits, subject in each case to a retirement test before age 70:

(a) $75 a month benefit at age 65 to all single persons;
(b) $75 a month at age 65 to a husband whose wife is under 60; and
(c) $125 a month jointly to a husband and wife if the husband is age 65 or over and the wife is age 60 or over, subject to a reduction to $75 on the death of either spouse; the $125 to increase to $150 when the wife reaches age 70.

64. The importance of these proposals can be seen by applying them to the case of a married man approaching retirement at age 65 whose wife is age 63. This couple would receive the following Old Age Security benefits under the present program, the option in Bill C-136 and the Association's proposals in paragraph 63:

Monthly Old Age Security Benefits

Age	Taken at 70	Option in Bill C-136 Taken at 65	Association Proposal
65	0	$ 51	$125
66	0	51	125
67	0	102	125
68	0	102	125
69	0	102	125
70	$ 75	102	125
71	75	102	125
72 (and subsequent years)	150	102	150

65. Under the Association's proposal the financial adjustment for this couple at the husband's retirement would be much easier than under either the present basis or the new option.

66. For a single person retiring at age 65 the comparison would be as follows:

Monthly Old Age Security Benefits

Age	Taken at 70	Option in Bill C-136 Taken at 65	Association Proposal
65	0	$ 51	$ 75
66	0	51	75
67	0	51	75
68	0	51	75
69	0	51	75
70	$ 75	51	75
71	75	51	75
72 (and subsequent years)	75	51	75

67. These changes in Old Age Security benefits would cost, the Association estimates, an additional $300 million a year for Canada as a whole. This could be met by an adjustment in the present 4-3-3 tax formula or by a payroll levy. If financed by such a levy the rate would be considerably less than the 3.6% rate in Bill C-136; it would probably be under 2%.

68. There is another type of adjustment the Association has considered but has not explored fully. It would involve stepping up the flat benefit by attained age, e.g., raising the $75 at age 70 to $80 at age 75, $85 at age 80, $90 at age 85 and so on. In the case of a great many older Canadians it is apparent that not only do their resources decline with increasing age but their living expenses rise. The decline in resources often results from the necessity to consume capital to augment income. The increase in expenses frequently results from illness or special care.

69. Some information indicating that incomes decline with age has recently been developed by the Dominion Bureau of Statistics. More information is still needed, however, to determine the best pattern for an age adjustment (see Appendix 2). The Association recommends that this be obtained because if it supports the views herein expressed an important improvement could be made in Old Age Security at a relatively modest cost. For instance, the current cost of the adjustment described in paragraph 68 would be less than $60 million a year.

70. For some time the Association has advocated the provision of universal basic benefits both to widows and to the permanently disabled with dependent children. It believes that the provision of these through the proposed Canada Pension Plan is subject to the same criticisms as have been made of the retirement benefits in that Plan. Tying benefits for widows and the disabled to an earnings record would fail to meet the principal needs that exist.

71. The proposal the Association has made is that larger Family Allowance benefits be paid for children in families where the father has died and the mother has not remarried or where the father is totally and permanently disabled. The present Family Allowance benefits of $6 for children under 10 and $8 for those age 10 to 15 could be increased on the death of the father to, say, $30 and $40 at an approximate annual cost of $35 million. The same increase in benefits for the children of totally and permanently disabled fathers would cost from one-third to one-half this amount. The Youth Allowances introduced in July, 1964, could be handled in the same way for a modest additional annual cost.

Appendix 1

COMPARISON OF RETIREMENT INCOME FROM FEDERAL GOVERNMENT PLANS WITH ACTIVE INCOME

HUSBAND—WIFE FAMILIES
(Wife assumed same age as husband)

Family Earned Income	Expected Retirement Income from Government (Note 1)						Percentage of Non-Farm Families in Canada with Family Income at Stated Level or Lower (Note 2)
	At age 65			At age 70			
	O.A.S.	C.P.P.	Total	O.A.S.	C.P.P.	Total	
1,200	1,224	300	1,524 (127%)	1,800	300	2,100 (175%)	7%
1,800	1,224	450	1,674 (93%)	1,800	450	2,250 (125%)	10%
2,400	1,224	600	1,824 (76%)	1,800	600	2,400 (100%)	14%
3,000	1,224	750	1,974 (66%)	1,800	750	2,550 (85%)	19%
3,600	1,224	900	2,124 (59%)	1,800	900	2,700 (75%)	25%
4,200	1,224	1,050	2,274 (54%)	1,800	1,050	2,850 (68%)	32%
4,800	1,224	1,200	2,424 (51%)	1,800	1,200	3,000 (63%)	39%
5,000	1,224	1,250	2,474 (49%)	1,800	1,250	3,050 (61%)	42%

NOTE 1: These columns indicate the family's government pension expectations. They show the present and proposed government benefits ("matured" but not indexed) for various levels of family earnings.

NOTE 2: This column provides a rough measure of the proportion of families at or below the various earning levels in 1967. Percentages were obtained by adjusting data from 1961 Census (Table C10, Bulletin 4.1-3) to 1967 on the assumption that incomes increase at the annual rate of 4%. The percentages in this column would likely be higher if the Census information permitted the exclusion of unearned income and the inclusion of the relatively low income of farm families. It is likely that the percentages would be higher for persons not in husband-wife families.

Appendix 2

Patterns of Need Among the Aged

1. This Appendix elaborates on the patterns of need set forth in paragraph 26 of the submission.

Observation: "Among those in need is a large proportion of the present aged..."

2. Need is determined by three factors: living costs, resources and incomes.

3. Little is known about the living costs of older, relative to younger, people in Canada.

4. As to resources, the Dominion Bureau of Statistics has established that elderly people are likely to hold more assets and to be less in debt than younger people and more likely to own their own homes ("Incomes, Liquid Assets and Indebtedness of Non-Farm Families in Canada, 1958").

5. Statistics on incomes of the aged were presented in the submission of D.B.S. to the Special Committee of the Senate on Aging (Committee Proceedings, October 22, 1964). The figures were gathered in conjunction with the 1961 Census for a large number of families and individuals not on farms and not in institutions.

Individuals Age 65 and Over

1961 Income from All Sources*

	Males	Females	Total
Average Income	$2,451	$1,201	$1,835
Median Income	1,440	830	960

* The Old Age Security benefit of $660 a year would be included as income by persons age 70 and over.

6. The median figures indicate that in 1961 half the men age 65 and over had an income of less than $1,440 a year and half the women age 65 and over had an income of $830 a year. The D.B.S. submission included the following:

> "As the above table indicates average incomes of women were less than one-half of those of males while the median was little more than one-half. Since more than half of all women in these age groups were not married the data suggests that income resources of many women who have no immediate family may be very limited."
> (page 1254 of Proceedings).

The Canada Pension Plan would help none of these people.

Income by Family Status

7. The following evidence regarding income by family connection was given in the D.B.S. submission (pages 1260 and 1262 of Proceedings):

Income of Families with Heads Age 65 and Over

	Male Head	Female Head	Total
Average Income	$3,967	$4,546	$4,047
Median Income	2,710	3,750	2,831

"Income of Persons Age 65 and Over Not in Families (persons living alone, persons doubling up with relatives, lodgers)

	Males	Females	Total
Average Income	$1,733	$1,279	$1,458
Median Income	970	769	829

"These statistics indicate that those persons in the older age groups who are not members of a family group and who are largely dependent upon their own resources are in a much less satisfactory position in respect to income than those who are members of families. Two-thirds of these individuals have incomes of less than $1,200 or less than $100 a month on average—

"—The statistics suggest that the majority of this segment of the population have incomes which are inadequate to provide for even very minimum basic needs." (page 1262 of Proceedings)

Rural—Urban Differences

8. It seems to be generally agreed that the Canada Pension Plan would provide its smallest benefits in the rural areas. The following observations in the D.B.S. submission to the Senate Committee may therefore be of interest:

"—In all provinces significant income differentials exist between rural-urban incomes—(page 1255 of Proceedings)

"—Rural-urban income differences may be the most important explanation for provincial differences in incomes of the older population—(page 1256 of Proceedings)

"Differences in levels of income between rural and urban areas may not reult in differences in the levels of living. The rural population may not find it necessary to spend as much on items such as rents or other housing costs or transportation. In the absence of price data and budget studies we have no information on relative costs in different regions. However, the income differentials were so large between rural and urban areas that it is likely that, even if some living expenses are lower, the general level of living of the older population in rural areas is below that of the urban population in most instances. The one exception may be that of women who are left widowed. Incomes of women were low in urban areas as well as rural areas and it may well be that incomes in the urban areas would be no more adequate than they were in rural areas." (page 1257 of Proceedings)

See particularly Table 2 of the D.B.S. submission (pages 1269 and 1270 of Proceedings).

Need by Region

9. There is regional information from Old Age Assistance records on persons in the 65-69 age group who are in need. On March 31, 1963, 34% of that age group in the Atlantic Provinces were receiving Old Age Assistance, 31% in Quebec, 20% in the Prairie Provinces, 14% in British Columbia and 13% in Ontario. It seems evident that need is most widespread and the ability to build private resources is lowest in the low-income provinces. These are the provinces where an earnings-related pension plan would on the whole produce the lowest benefits.

Observation: "Amongst the present aged, available evidence indicates that those who have been retired for some time are more in need than those newly retired."

10. A special analysis of 1961 Census income statistics for persons age 71 and over indicates the pattern of need within that age group. In the 70's there is a pronounced downward slope in average income as the age of the individual increases. Considering the age groups 71-74 and 75-79, the average decrease in income for each year of increase in age appears to be $56 or about $4.50 for each month of increase in age. The downward slope is evident but less pronounced for persons in their 80's and early 90's.

Non-Farm Individuals

1961 Average Income from All Sources

Age Group	Males	Females	Total
71-74	$2,358	$1,201	$1,757
75-79	1,893	1,136	1,505
80-84	1,656	1,143	1,389
85-89	1,509	1,121	1,298
90-94	1,463	1,089	1,248
95 and over	1,542	1,120	1,262

11. It seems reasonable to expect the newly retired to be less in need of help than those who have been longer inretirement.Personsnowcomingu pto help than those who have been longer in retirement. Persons now coming up to retirement have had an opportunity to amass greater resources than older persons. For one thing they have had longer to recover from the depressed conditions of the 1930's. More of them have had access to private pension and other savings media and they have been at higher earnings levels for a longer time. They have had better insurance against catastrophies. Many of the older persons were able to save less when working. In retirement they have been forced to dip into their built-up savings instead of preserving them to produce a steady income and, finally, whatever earnings they may have dwindle and eventually stop.

12. The pattern is supported by the experience in the United States. There the Old Age Assistance program is a needs-test program analogous to Canada's Old Age Assistance program but its benefits are available as a supplement to the earnings-related Social Security program at all ages. The Chief Actuary of the Social Security Administration recently wrote:

> "About 17 per cent of all women aged 65 and over are assistance recipients, but the proportion moves steadily upward as age advances, from a low of 9 per cent for women aged 65-69 to a high of 35% for women aged 85 and over. The same general trend is also present for men, with the proportion receiving assistance rising from 4 per cent at ages 65-69 to 30% at age 85 and over.
>
> "It seems likely that in the future the proportion of the total population aged 65 and over that is receiving assistance will be somewhat lower than it is at present... Nevertheless, it is likely that in future years the ratio of assistance recipients to the total population will have an upward trend as age advances. As the aged use up the assets they have accumulated, the likelihood grows that they will require supplementation of their income through assistance, even though most of them will have income from Old Age and Survivors Insurance." (Social Security Bulletin, October, 1963, page 17)

Observation: "Persons now retiring appear to be more in need of help than those who will be retiring in ten years or more."

13. The post-war trend is for earnings levels to rise. Therefore, the group of persons retiring, say, ten years later than another group will ordinarily

have the higher wage history and the chance to set more resources aside. D.B.S. income studies show a marked rise in the incomes of the age group between 50 and 65 in the early 1960's compared with the same age group in the 1950's. Similarly, the age group retiring ten years from now can normally be expected to have higher income and resources than the age group retiring now if only because the former group would have had about 30 years at the post-war earnings levels compared to the latter's 20 years.

Appendix 3

The Benefit Structure of the Canada Pension Plan

1. Bill C-136 explains the types of benefits which the proposed Canada Pension Plan would provide. This Appendix furnishes some supplementary comments and illustrations of the retirement benefits.

The 1976 Benefit Structure

2. The possible benefit structure of the proposed Canada Pension Plan at the end of the year 1976 has been illustrated in Chart 2 (page 15 of the submission).

3. One in three of the 1976 population age 65 and over would be receiving graduated benefits. One and a half per cent or about 29,000* of the then aged would be receiving the maximum benefit. Thirty-two per cent of the then aged would be receiving smaller survivors or retirement benefits. This latter group would consist in the main of persons who worked at lower rates of pay, who retired after a "contributory period" of less than ten years or who were the widows of deceased "contributors". About two in three of the aged in 1976 would be getting no benefits from the proposed new Plan.

4. In 1976 there would be nearly one million* aged Canadians who would never qualify for a Canada Pension Plan benefit.

5. The flat and graduated benefits paid to the aged in 1976 would be of the order of:

Canada and Quebec Pension Plans	$ 280 million	17%
Old Age Security	1,400 million	83%
Total	$1,680 million	100%

Indexing

6. If price levels rose subsequent to 1976, the graduated benefits being paid in 1976 could increase up to a limit of 2% during each later year. These adjustments would widen the differences in benefit existing in 1976. For example, by 1981 the maximum graduated benefit granted at the beginning of 1976 could have risen from $119 to $131 a month—a $12 rise. Beneficiaries originally granted smaller benefits would get smaller increases; for example, a benefit of $60 a month awarded in 1976 would have risen by only $6.

7. After the first decade of the Plan, while benefits already awarded would be increased at no more than 2% a year as prices rose, the newly-awarded benefits would be geared to average wages and salaries. As the Actuarial Report indicates, this average could be increasing at double or more the rate for prices. In effect, beneficiaries would be protected, within limits, against rising prices but "contributors" not only would be protected against rising prices but also would share in productivity gains. To illustrate, if prices rose by at least 2% a year and wages 4.2% a year—a "conservative" assumption in the Report of the Royal Commission on Health Services—the maximum monthly benefit awarded in 1976 would have increased to $131 by 1981 whereas the maximum benefit being awarded in 1981 would be $138.

* These figures are for the whole of Canada.

8. Thus, in any particular year persons longer in retirement would get smaller benefits than persons not as long in retirement because (*a*) benefits being paid would have been price-indexed while new awards had been wage-indexed and (*b*) benefit differences would have been widened by price-indexing. This seems unjust when only a small part of the benefits are paid for and when the oldest persons have greater needs than those not so old.

Misdirected Bonuses

9. The benefits flowing out in 1976 would have been about one-ninth paid for. The benefits commencing in 1981 would be about one-sixth paid for. By way of illustration, take two self-employed persons age exactly 50 at the effective date of the proposed plan and retiring at age 65. "A" had earnings which exceeded the pensionable maximum in the Canada Pension Plan and "B" had earnings of half the maximum:

	"A" Earned pensionable maximum or more	"B" Earned half pensionable maximum
(*a*) Payroll tax at 3.6% of pensionable earnings during the years 1966-1980*	$ 2,736	$ 1,195
(*b*) Interest on these contributions at 5% per year	1,214	530
(*c*) Payroll tax plus interest	$ 3,950	$ 1,725
(*d*) Benefit receivable in first year of retirement	$ 1,650	$ 825
(*e*) Value of this retirement benefit taking into account the length of time it will be paid, the widow's benefit available and the indexing of these benefits	$24,296	$12,148
(*f*) The amount of benefit not paid for, i.e., (e) minus (c)	$20,346	$10,423

* Assuming that prices rise at a rate of 2% a year during the first decade of the Plan and average earnings rise at a rate of 4.2% a year throughout the period 1966-1980. These assumptions are consistent with a "conservative" projection in the report of the Royal Commission on Health Services although the projection of prices was extended only as far as 1971.

The unpaid-for monthly benefit for "A" would be

$$\frac{\$20,346}{24,296} \times 1650 \times \frac{1}{12} = \$115$$

The corresponding bonus for "B" would be

$$\frac{\$10,423}{12,148} \times 825 \times \frac{1}{12} = \$\ 59$$

10. The proposed pensionable earnings maximum is and would likely continue to be higher than average earnings in Canada. Thus, "A" whose earnings are above-average would get a bonus nearly twice that going to "B" whose earnings are below-average. In fact, the bonus paid to the above-average earner is far larger than the value of the entire benefit payable to lower-income persons. The disparity between the bonuses paid "A" and "B": $9,923.

11. If the economy continued to expand at its present rate or faster for years ahead, the effect of the indexing feature would be to perpetuate these bonuses for individuals. Moreover, the differences in the size of bonuses would widen as between income levels. To illustrate, a person qualifying for the top retirement benefit of $5,220 in the year 2013 would receive a bonus of $39,064. A person whose earnings had been half the maximum would get a bonus of $21,419. The disparity: $17,645.

12. These figures are taken from the following example. In this case, "C" and "D" would be exactly age 18 at the effective date of the proposed Canada Pension Plan. "C", the high-earning person, is assumed to have earned $3,600 a year at age 18, with his earnings increasing about 8% a year until exceeding the pensionable maximum in 1977. "D" as in the case of "B" would get half the maximum throughout his working life:

	"C" Earned Pensionable maximum or more from 1977 on	"D" Earned half pensionable maximum
(*a*) Payroll tax at 3.6% pensionable earnings during the years 1966-2012*	$15,580	$ 6,973
(*b*) Interest on these contributions at 5% per year	26,962	13,224
(*c*) Payroll tax plus interest	$42,542	$20,197
(*d*) Benefit receivable in first year of retirement	$ 5,220	$ 2,662
(*e*) Value of this retirement benefit taking into account the length of time it will be paid, the widow's benefit available and the indexing of these benefits	$81,606	$ 41,616
(*f*) The amount of benefit not paid for, i.e., (*e*) minus (c)	$39,064	$ 21,419

*Assuming that there is no increase in the payroll tax rate, prices rise at a rate of 2% a year during the first decade of the Plan, and average earnings rise at a rate of 4.2% a year throughout the period 1966-2012. Any increase in the payroll tax rate after, say, 1985, would not appreciably affect the comparison. The assumptions regarding prices and wages are consistent with a "conservative" projection in the report of the Royal Commission on Health Services although the projection of prices was extended only as far as 1971.

The unpaid-for monthly benefit for "C" would be

$$\frac{\$39,064}{81,606} \times 5220 \times \frac{1}{12} = \$208$$

For "D" it would be

$$\frac{\$21,419}{41,616} \times 2662 \times \frac{1}{12} = \$114$$

13. The misdirected bonuses would disappear in time if it is assumed that the economy slows down or stagnates. For example, let it be assumed that the pensionable maximum increases $100 a year throughout the 47 years in the illustration:

	"E" Earned pensionable maximum or more from 1977 on	"F" Earned half pensionable maximum
(*a*) Payroll tax at 3.6% of pensionable earnings during the years 1966-2012*	$10,332	$ 4,709
(*b*) Interest on these contributions at 5% per year	22,967	11,502
(*c*) Payroll tax plus interest	$33,299	$16,211
(*d*) Benefit receivable in first year of retirement	$ 2,304	$ 1,175
(*e*) Value of this retirement benefit taking into account the length of time it will be paid, the widow's benefit available and the indexing of these benefits	$36,019	$18,369
(*f*) The amount of benefit not paid for, i.e., (*e*) minus (*c*)	$ 2,720	$ 2,158

*Assuming that prices rise at a rate of 2% a year during the first decade of the Plan and that the pension ceiling increases $100 a year thereafter. This would be a rate of increase in the ceiling of roughly 1% a year after 1976.

Of course, unfavourable economic conditions would likely force an increase in the 3.6% payroll tax before the time now suggested in the Actuarial Report. This would increase the tax in line (*a*) of the illustration and eliminate the bonuses.

APPENDIX A4

(Submission of S. M. Thompson)
To the Parliamentary Committee on the Canada Pension Plan

My name is Sanford MacDonald Thompson, a pensioner of three years standing, who during his final year of employment as Vice-President and Treasurer of Canada's second largest life insurance company, was thrilled to see his venerable 75 year old company pass the one billion dollar mark in assets—representing the savings of its Canadian policyholders and those of its policyholders in 24 other countries.

In that memorable year, 54% of that billion dollars was invested outside Canada to cover liabilities there of an equivalent amount.

For 25 years, I had the responsibility for the investment of those savings—and have visited all the foregoing countries, some of them annually, some more frequently.

I therefore have no hesitation in saying that in the financial centres of these and other countries, Canada's name is held in high repute. For example, Bank of Canada representatives command respect everywhere—and at those most important annual meetings of the World Bank in Washington or abroad, they acquit themselves with distinction.

In the field of life insurance, Canadian Life Insurance Companies hold the enviable record as the greatest international life insurance in the world, surpassing in their geographical spread even the world-famous life companies of the United Kingdom.

But...I have also no hesitation in saying to you that Canada's Monetary Policy as expressed in the terms of the proposed Canada Pension Plan—the biggest and most dangerous piece of financial legislation ever proposed in this country—will result in a disastrous loss of prestige and respect.

For example, these Canadian Life Insurance Companies owe their commanding position in this "export market", not only to their expertise, but because their clients trust Canada.

Let me therefore remind you that the significant role played by foreign capital in Canada's recent and remarkable economic development, was also based on trust in Canada.

There are implications here which are ignored in the 26 page White Paper on the Canada Pension Plan, hereinafter discussed under the title:

Inflation—Monetary Control—Canada Pension Plan

These remarks concern Inflation. They are in two parts. Part 1 concerns the "linked-currency" pensions in payment and the "inflation-proofed" savings of contributors during their working life;....and the implications of the Plan to Monetary Control, a Federal responsibility...Part II attempts to answer two questions:

"Why has Monetary Control failed? Why is the Post-War II eroding dollar in such frightening contrast to Post-War I stable dollar?"

Part I

THE CANADA PENSION PLAN

The provisions of the CPP purport to protect the savings of the contributors against future erosion of the dollar's purchasing power, within very definitely

defined mathematical limits (involving the use of 3 indices) equivalent to not more than a 2% increase in the Cost of Living in any year, and to protect pensioners in like degree until death.

The CONSUMERS PRICE INDEX, is the official yardstick for measuring the Cost of Living in Canada. It is based on the spending habits of a married man and his wife, having 2 to 4 children, with low to average earnings and living in an urban community of 30,000 or more.

Its base of 100 measures the cost of living in 1949. In April 1964, it had risen to 135, was 136 in July and August, in September 135.6.

At 135 it tells us that our present cost of living is 35% over what it was in 1949, 15 years ago. It says that today's dollar buys only 75% of what it did in 1949. It also tells us that a lender of money in 1949 should today on repayment of a $100 loan then made, in fairness should receive $135 plus some compensation for interest payments meanwhile in eroded dollars.

Mathematically but misleadingly, the 35% increase in the cost of living today over that of 1949, can be expressed as the equivalent of a constant 2% per annum increase, compounded over this period...Hence the concept of "Creeping Inflation".

A Government White Paper is the most authoritative statement a Federal Government can give. The August 1964 paper entitled The Canada Pension Plan, contains therein a statement of MONETARY POLICY of the greatest significance.

The Government and its Finance Minister therein declare, that within the upper limits of a 2% per annum increase in the Cost of Living, sustained economic growth is possible...that an eroding dollar so defined is compatible with such economic growth...that savings will continue at high annual levels ...official and authoritative endorsement that "Creeping Inflation" is compatible with sustained economic growth.

But you say, this is utterly absurd!...indeed in direct defiance of the intent and purpose of the Bank of Canada Act!

To which I reply—Why has the Preamble to the Bank of Canada Act, 1935, disappeared from the published Annual Report of the Governor of the Bank of Canada to the Finance Minister...and does the present Governor not now operate under the following directive: "if there should develop a serious and persistent conflict of view of the government and the views of the central bank with regard to monetary policy...the government should be able formally to instruct the Bank what monetary policy it wishes carried out, and the Bank should have the duty to comply with these instructions". (Footnote page 320 Peter C. Newman's Renegade...)

There has never been any doubt among thinking and informed people, that the Federal Government does have the final and basic responsibility for Monetary Control.

But the central bank is there to assure Canadians that the profligacy of a government is not to be met simply by the printing press—a restraint that Her Majesty's Loyal Opposition may at times be unable to exert—and to that beneficent end, the people of Canada through their elected members in the year 1935, gave the Governor of the Bank an extraordinary but proper power—the power of veto over the Board of Directors of the Bank.—But, the Governor is removable at any time by legislating that the office of Governor of the Bank is now vacant.

This directive which "instructs" then "tells" the Governor that it is his Duty to Comply, simply makes a MOCKERY of the basic principles of and purposes for which the Bank of Canada was established 30 years ago.

The Canada Pension Plan and Provincial Plans.

At the outset, it must be emphasized that this national plan is now in complete harmony with provincial rights to administer now or later, their own pension plans.

Within 30 days of "assent" to Bill C-136, a province may "option out" of the national plan, by signifying that by January 1, 1966, it will have in effect a "comparable plan". Miss LaMarsh says Quebec will so signify and Mr. Gordon says "the Quebec Plan will be virtually identical to the Canada Plan".

Subsequently any province may "option out" by notice that in three years it will have in effect a "comparable plan".

Consequently, in discussing the national plan, the implications of the "forced savings" of both the national and the provincial plans have to be considered together, and in order to do so the savings figures of the Actuarial Report on the national plan, excluding Quebec, have been increased by 50%, such adjustment having the authorative support of such a highly qualified and knowledgeable person as Senator McCutcheon.

As a result of the compromise with the provinces, the original "pay-as-you-go" concept has been abandoned for all practical purposes—more accurately has been deferred for 20, 30, or 40 years, dependent on whether the "least favorable" or the "most favorable" forecasts of such report are taken. But at the end of the first 10 years, the "forced saving" accumulations are identical.

The national plan and that of Quebec together represent a gigantic "forced savings" plan, which will put into the hands of provincial authorities, between $550 and $650 million dollars on the average in each of the 10 years 1966-1975 inclusive, after deducting administrative expense and after paying benefits.

These annual sums are equivalent to about ½ of the current borrowings by the 10 provinces and all their municipalities.

With interest and including Quebec, these "forced savings" will at the end of 10 years aggregate $7.5 Billion dollars... To get such a gigantic build-up of savings in 10 years in perspective, it might be noted that the "voluntary savings" of $10 Billion dollars representing those of policyholders, Canadian and Foreign, of the Canadian Life Insurance Companies, were made over a period of more than 100 years—noting too that most of these companies have extensive business outside Canada, in the case of the two largest, over 50% of such savings are derived from sources outside Canada.

Virtually all persons with employee status from bank president to office boy, male and female, must by law become contributors to the national or provincial plans, as the case may be... If many of these people are already in private plans, no matter how generous some of these plans may be, these people are subject to the enforced savings of the national and provincial plans—unlike their friends in the United Kingdom where private plans may "option out".

Surviving dependents of contributors receive pension benefits.

The provinces undertake to pay interest to the pension funds at a rate not less than that obtaining on the Federal Government's long-term bonds.

This compulsory pension coverage relates to Canada's work force, presently in excess of six million individuals, and it is pertinent to this discussion to remember that these same individuals are presently, and we hope in the future, the source of "voluntary savings".

POLITICAL AND MONETARY IMPLICATIONS

In immediately relieving the provinces and all their municipalities of approximately ½ of their bond offerings to the public, the building of technological institutes, retraining centres, university extensions and hospitals, will be immensely easier—and in this respect, this Plan might be considered beneficent.

But that money which will come from the pension funds will come automatically—and it, of course, may be used for any purpose including—financing budget deficits—nationalizing private industrial and commercial business undertakings (which like previously privately-owned public utilities have tempting federal treasury liabilities on account of corporation income tax and such nationalization therefore at the expense of the federal treasury)... creating new "development" enterprises formerly undertaken as private business ventures.

But equally important, there will result a widening of the area of "conflict" —heretofore between the Bank of Canada and the Department of Finance—. Now that conflict will be between the Federal Department of Finance and ten Provincial Treasury Departments.

Centralized National Monetary Control will become IMPOSSIBLE.

How does a nation carry on as a nation under these circumstances?

Heretofore, all borrowings of a province and all its municipalities has been subject to the approval of bond-buyers. Should the purpose of the borrowing for example, not meet with their approval, this objective disciplinary control puts a healthy check on the spending propensities of these public bodies.

Now we all know from past experience, that literally anything can happen in the short span of 10 years, the period of the Big Build-Up in these plans... Not a Prophecy, but a Warning.

For example, in the 10 year period, 1949-1959, Canada took the great "leap forward" as a welfare state, and five years later finds Canada in "tie position" with the United Kingdom Welfare State and miles ahead of our affluent neighbor, the United States of America, in the ratio of 12 to 7 in terms of national income... If Bill C-136 passes, we will be an easy winner in this international horse race.

For example, in the 10 year period, 1929-1939, Canada saw the birth of our first Socialist Party and it came into power as the Provincial Government of Saskatchewan... In the same 10 years, the Social Credit Party was born and it too came into power in the Province of Alberta. In the latter case, a distinctive concept of Monetary Control obtains.

Even in 4 years, Sweden's "forced savings" plan has startled every one by already representing 45% of total savings in that country, as stated in the House by Mr. Cameron of the Nanaimo-Cowichan-The Islands constituency.

Forced savings of this magnitude in the hands of existing and future bureaucracies is an easy road to disenfranchisement, tragically financed with the electorate's own money and rendering the protests of Her Majesty's Loyal Opposition-s in both provincial and federal houses, impotent.....A Peril which the Minister of Health and Welfare herself warned us of, 15 short months ago!!??

ECONOMIC IMPLICATIONS

The Government White Paper discusses the possible effect on "voluntary savings" of this gigantic volume of "forced savings".

Its conclusion is that it will not be large. The Minister of Finance told the House: "Total individual contributions in 1966 will be about ⅛ of personal

savings, about twelve and one-half percent. It would be surprising indeed if personal savings were to be reduced by as much as 5% of what they would have been were the Canada Pension Plan not in effect".

Reassuring—but I can sure worry about that figure knowing that in the postwar years, we have had a chronic "short-fall" of domestic savings ranging from 12% to 25%—made up by foreign savings.

But how long are savers going to save in eroding dollars? Is the minister contemplating "linked-currency" dollar bonds?

But private savings in this same postwar period have been impressive—and particularly in the group pension field, where income-tax deductions have been a motivating force, attractive both to employer and employee. But get the implication of this—Initially, and not improperly, some of these group pension schemes included a prudent proportion of equities, and with bond yields 3% and stock yields 5% or better, such an investment of a proportion of funds designed for old age requirements is justified.

Now, in recent years, the bull market in its understandable exuberance has reversed these yields—5% to 7% yields on fixed interest investments as compared with 3% or less on equities. But the proportions of these non-speculative "old age funds" has been steadily increased.

Why? Answer—Fear. Fear of continued inflation.

Before me as I write this, I have the brochure describing the Waterloo University Pension Plan—modestly affirming "How Canada's first proper purchasing power pension plan will operate".

Its opening sentence is gospel truth: "Inflation tends to undermine most Canadian pension planning". Food for thought Mr. Finance Minister, to whom I suggest that close arithmetical calculations as to how future "voluntary savings" may stack-up, using projections of past experience, is a useless mathematical exercise—where Fear of Inflation is now so universally prevalent and indeed recognized openly in this Bill.

The machinery of government has changed immensely—but those governed have changed but little.

My business life commenced in the early twenties. I was privileged to have a position of some responsibility relative to the investment of money.

The twenties were also a period of rapid economic growth. As the period progressed, from 1922 forward, it was featured initially by Confidence, then by Enthusiasm. Enthusiasm is infectious. At this point some of our less desirable traits begin to show themselves.

Envy for the fellow who was more farsighted, a determination to make up for lost opportunities, then greed, success that seemingly bred more success but interpreted as infallibility, a chance remark by a famous financier that GM stock was different, and presto a new yardstick for measuring stock values.

A prudent man may not be too expressive. He is not only a "wet blanket" but indeed is eventually accused of "lack of faith" in his beloved country. It could be today's picture—a rerun of an ancient movie, this time with appropriate sound effects and in colour.

I will therefore ask the Minister of Finance to consider the words of an ex-Secretary of the United States Treasury, Mr. Humphrey: He warned us a few years ago that unless inflation is stopped, we will have a depression that "will make our hair curl".

Almost coincidentally, an ex-Governor of the Bank of Canada, expressed this view:

"The idea that readiness to create or tolerate inflation can make a useful contribution to the problem of maintaining a high and expanding level of employment and output, is in danger of becoming the great economic fallacy of the day".

Part II.

Why has monetary control in Canada failed in post war II?

Why is the post war II eroding dollar in such frightening contrast to the post war I stable dollar?

What follows is a harsh criticism of both the Bank of Canada and the Department of Finance. A story of failure of monetary control.

Canada does not stand alone in this respect. The US record is as bad as ours. Comparisons with the United Kingdom are odious, recalling the physical ravages of war there experienced. It is appropriate to remind ourselves that the Allied Commission were asked by Germany to help them establish a "sound mark", without which they knew the fruits of the Marshall Plan could not be gathered.

Despite my criticism, I must acknowledge the anti-inflationary effects of early budget surpluses. American financiers for example, were embarrassingly complimentary then, in acknowledging Canada's then demonstrated ability to keep her national house in order.

Despite my criticism, acknowledgement must be made to the Bank for its efficient and imaginative administration of foreign exchange control during the war. In particular for a resolution passed at midnight September 20, 1939, with Canadian Life Insurance Company officers waiting in the Board anteroom of the Bank of Canada, enabling them to leave immediately thereafter for the then neutral United States to meet and solve there, a financial problem of such magnitude, that unsolved would have had catastrophic consequences.

Despite my criticism, I must acknowledge the courage a Governor of the central bank must have in the face of almost intolerable pressures—so dramatically revealed on the public stage three years ago.

Consequently these remarks are made without rancor. But today we in Canada face a challenge to a sound dollar—a challenge or an admission of failure, I know not which—but coming from the Government of Canada itself, from its Cabinet, from its Minister of Finance.

One who has spent a lifetime devoted to the custody and investment of the savings of others, can not remain silent and acquiesce in the swindle of peace-time inflation.

MONETARY CONTROL

It is the responsibility of the Federal Government of Canada to so regulate Canada's credit and currency (by reducing or increasing its volume) as to maintain confidence in the soundness of the Canadian dollar as a store of value (its purchasing power) while promoting economic growth.

Its Agency—the Bank of Canada—performs this awesome and unenviable task. Simply by selling from, or buying for, its bond portfolio, long-term Government bonds—thereby depressing their price, maintaining their price, or increasing their price. The corollary is higher interest rates, same interest rates, lower interest rates. The interest rate of long-term government bonds is the base from which other borrowers and lenders generally determine the rate of interest on the money borrowed—rates which reflect a differential, but a differential which tends to stay within limits.

But in the process of buying and selling bonds, cash in the tills of those banks which are chartered under the Bank Act, is increased or decreased... But the aggregate of such a bank's loans to its customers, is limited in terms of a constant multiple of such "cash".

These central bank operations therefore result in "tight money"—contraction of the volume of credit—or "easy money"—expansion in the volume of credit.

"Easy money" is very encouraging if there is business confidence. But "easy money" failed in the post-depression years—the thirties. Lacking any real confidence, all that really happened was that low interest rates just got lower. Commercial banks having no loan demand (relatively speaking) from customers, became "chuck-full" of government bonds.

The results were progressive. In exasperation these "created" excessive savings plus legitimate savings of savers, were in the aggregate called "anti-social"—then in the United States, some big-name economists noting the slowness of the "recovery" and painstakingly viewing the big expansion of "twenties", declared that in their opinion the United States industrial and commercial apparatus had reached "maturity"—a stage where renewal and replacement of existing facilities represented the sum total of future capital requirements—that therefore a much smaller demand for capital was the prospect. So, low interest rates on borrowings would be the indefinite prospect.

Politicians of both countries seized on this pronouncement with great avidity and exploited the theory that "low interest rates are eternally beneficient"—thereby laying the groundwork for all the "lack of accord" between Treasury and Central Bank which has bedevilled the relations between these two all through this postwar II period—in both countries.

"Tight money" is damned by all and the lot of a Money Controller is not a happy one. It is restraining and disciplinary on both borrower and lender. The latter however is both happy and sad simultaneously. As a financial officer of a savings institution, I loved higher interest rates—lower costs to new and old policyholders. Wished we had more to invest—the best rate in 15 years. But bonds in the vault can't be sold—their price has dropped. Sell them and you realize a "loss". This is the essence of control...restrain the lender to his net new income plus repayments of old loans—Living Within Your Income, so to speak.

In periods of rapid economic growth which has characterized both post-war periods, the demand for materials and labor tends to push prices up, including the price of money—its rental value—the interest rate.

But higher interest rate automatically puts a brake on the rise of those other prices, is beneficient in this respect and a healthy curb on "excessive rises".

Where the Bank of Canada fails to restrain "excessive rises" by permitting an overabundance of credit when materials and labor are in short supply, the result is tremendously inflationary.

But the Bank of Canada did just that in the four year period, 1947-1950 inclusive. It maintained the price of long-term government bonds in "splendid isolation"—3% bonds at a premium of 105 throughout 1947—at par and one-half through 1948 and 1949, and helpless against the speculative invasion of United States capital in 1950, paid up to 103.

For 4 consecutive years, investment officers like myself, sold government bonds zealously at or above purchase price, half the time at outrageous premiums.

Bonds that represented Lancasters shot down years before over Hamburg—old savings reactivated—thereby doubling my participation in this new and higher interest-rate market over this 5 year period. A HIGHLY INFLATIONARY OPERATION! ...Multiply that by all the savings institutions of the country, then contemplate with awe the ballooning effect of bank loans and we have INFLATION with BIG CAPITALS.

In three short years, we lost all the marvellous fruits of the Wartime Prices and Trade Board. This Board, formed immediately at the outbreak of the war, headed by a deputy-governor of the Bank of Canada, and whose second-in-command was destined to become a future Governor, had so restrained the

wartime Rise in the Cost of Living—during six years of war—that in 1946 the rise in the cost of living had been limited to 25% over that of 1939...a phenomenal record for a war that was unimagineably costly in relation to previous experience.

At that exact point of time—mid-year 1946, first postwar year, compared with mid-year 1919, also first postwar year, 60% of the inflation that might have taken place and had taken place during world war 1, had been saved.

But in 1949, three years later, this favorable differential had been more than wiped out.

WHY

Because in advance, the only weapon a Money Controller has to lick inflation was laid down, not to be picked up again till October 16, 1951.

On that date, in announcing an increase in the Bank Rate from one and one half per cent to two per cent, the Governor said:

"The Bank expressed the view in February 1944, that it did not see any prospect of an economic situation in the post-war period of a character which would call for a policy of raising interest rates. The change to a 2% Bank Rate is an indication that the earlier view no longer holds good under today's conditions".

Indeed, with a large part of Europe in ruins, unimagineable misery and suffering, currency collapse, the 1944 view was valid—but the unforeseen miracle of the Marshall Plan, the most generous gift in recorded history, offered to foe and ally alike, was the foundation for world recovery.... But published long-term forecasting can be very dangerous—nor need the view have been so long maintained.

What I and hundreds of other institutional investors were doing, was compatible with our clients' interests, which in turn should have been compatible with the national interest, and *could have been.* Their dollars would have gone FURTHER TODAY.

I question whether this marshalling of old investments and this easy money policy built any more houses, constructed any more roads, built any more factories, added any more classrooms, laid any more yards of sidewalk or miles of pipeline.

But many more such undertakings were started, all proceeded at a slower pace, all suffered from chronic stoppages because of non-delivery of materials on schedule—an expensive process in itself—meantime accompanied by an "excessive" bidding-up of prices, wages and salaries.

Early in 1950, the Bank of Canada Annual Report appeared, and looking back over events of 1949, the report indicated that the "excessive" upward pressures, external and internal, on prices, seemed to have spent themselves—and indeed, due to the widespread devaluation of foreign currencies against both the United States dollar and the Canadian dollar, suggested "deflationary influences" in North America. The Canadian dollar was at a fixed discount rate of 10% to the U.S. dollar.

I will never forget the news flash. The Marines were landing in South Korea. I wouldn't believe it—but like most everybody else I had completely underestimated the resolution of the American people and the courage of President Truman.

Immediately, Canadian housewives and their husbands, with recent memories of ration books and scarcities, bought stoves, refrigerators, household goods

and other consumer durable goods on a panic scale .... while Canadian raw materials of war such as base metals became in keen demand, externally as well as internally.

Meanwhile, despite the foregoing harsh criticism of Canadian Monetary Policy, the United States had done even a poorer job, and at a discount of 10%, the Canadian dollar suddenly became grossly undervalued.

A veritable flood of U.S. dollars flowed northward as a short term speculation on the Canadian dollar. To buy such U.S. dollars, the Bank of Canada had to supply Canadian dollars in comparable amount, and under modern money mechanism, the Bank supplied these by buying and consequently bidding-up the price of Government bonds.

By midsummer these 3% bonds commanded a premium of 3%. By October 1, the Bank and the Department of Finance had had enough—and belatedly threw in the sponge—cut the dollar free—and in February 1951, the high interest club was finally picked up.

Amazing to relate, we had underestimated our own productive capacity. Consumer goods continued to pour out in abundance and the international base metal market subsequently registered a substantial fall in price.

How was the Cost of Living affected by these events?

The events of fateful 1950 were reflected immediately in the brand new Consumers Price Index, 1949 Index Number being 100.

In 1950, a jump of 3%, but in 1951, a breath-taking vertical high jump of 11% .... The Index now stands at 114.

Then a 1.8% rise in 1952, three years of stability at 116. But doesn't this wretched Index ever turn back. What about those falling base metal prices and the abundance of consumers goods?

Therein lies the fatal weakness of modern monetary control. NEVER does it seemingly permit the natural forces of supply and demand to exercise their corrective function.

1956 reports a resumption of inflation. These are the consecutive jerky steps up the slippery hill of inflation: 1.7%, 3.4%, 2.5%, .8%, 1.6%, 1.5%, 1.5%, and in 1964 1.5%.

A Sickening Sight! FISCAL POLICY IS THE ARCH SWINDLER... MAMMOTH DEFICITS...CONTINUING DEFICITS THAT COMPLETELY OFFSET the Bank of Canada's MONETARY CONTROL.

The result is NO CONTROL... and no help can be looked for apparently from Her Majesty's Loyal Oppositions.

Monetary control when restrictive, is NOT GOOD POLITICS... or is IT?

One brave soul tried it out. He was the Secretary of the Ontario Progressive Conservative Association. He announced:

"Canada needs a political party that will look after persons who will look after themselves.

"I believe the time has now come for a *major* political party to concern itself with the needs of the person who has a job; who does make provision for his old age... who doesn't need and doesn't want subsidized housing... who pays his own medical and insurance premiums... and above all, pays taxes... Social welfare problems largely have been solved... while there are still inequities, in the main these objectives have been attained."

I was so heartened that across Canada (110 grass-root papers on the prairies) in a limited fashion by "letters to the editor", I tried to publicize his creed under the heading: Hogan hits homer—HURRAH FOR HOGAN.

But wiser counsels presumably prevailed in this allegedly conservative party—to this day he has not acknowledged my zealous support of his return to sanity Party... yet I had many enquiries as to who this fellow Hogan was, and was he as good as he sounded!

POST WAR I STABLE DOLLAR

Now at long last, what is this brilliant performance of postwar I monetary CONTROL.

*This is a bit cynical to say, but those in charge in Post War I struggled along without benefit of the Bank of Canada—which is only 29 years old—most central banks as such are infants—born after we got mature and threw out the gold standard. But kings, rulers, tribal chiefs, all tried Monetary Control with indifferent success—except one—and what a record—Joseph of Egypt—Premier, Finance Minister and Central Wheat Banker to Pharoh... and what pressures he must have withstood—14 years—7 fat but tight money years, and 7 lean, but easy money years!

The Dominion Bureau of Statistics has obligingly applied its Consumers Price Index retroactively to 1914, and expressed the Cost of Living then and in all the intervening years.

In two parallel columns in a table attached to these remarks, one can alternately gasp at the meteoric wartime rise in the Cost of Living during World War I; exclaim at the sudden drop in it in the yearf 1921-22; be incredulous of the complete stability of the dollar for 8 consecutive years, 1922-1930 inclusive, at a rock-like 75 on the Index; sadly contemplate the 60 figures of the Depression; and note the 63 mark in 1939 after 6 years of "recovery"; and in delight and amazement note the modest figure of 78 in 1946, 7 years after 1939.

In my "book" this is a dollar of stability—25 years of it!

WAR AND INFLATION

Canadians have accepted inflation resulting from 2 wars as an inevitable consequence and part of the price of defending freedom.

But Canadians will not accept much longer peace-time inflation, cold-war peace if you like.

War destroys currency values as I well know having presided over the destruction of my company's business expressed in terms of the Shangai dollar and the Japanese yen.

But even in countries, unscathed by war, currency values are destroyed to a degree. Here is Canada's experience:

World War I

The Index tells us that World War I caused a subsequent permanent rise in the Cost of Living of 50%—an Index number of 75 against 50 in 1914. Thereafter, for 25 years, a stable dollar.

World War II

The same Index tells us today, 1964, that in relation to the Cost of Living in 1939, Index number 63, our 135 of today is 2.14 times that of 1939. Up 113% and still rising—and the war terminated 20 years ago!

But you say to me—if you let natural forces of demand and supply express themselves as "correctives" don't we have depressions and intolerable suffering?

I say NO—unless there is a deep-seated malaise underlying—as indeed we may have today—inflation. But if so you are for it. If not, we may yet escape.

Let us discuss this cynical theory of mine—in the light of actual experience and no fancy theorizing.

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* Omitted from Ottawa presentation.

If that major adjustment in price levels and cost of living in 1921-22 was a depression, then I say categorically no—an adjustment—An adjustment that a young college student—whose previous business experience was understandably limited, working his way "through", in the 2 successive summers of 1921 and 1922—was completely unaware.

First in a small town in Central Ontario and then along the dusty dirt road of Eglinton Avenue West, he was engaged in selling to the most competitive market we have in Canada—the Women's Consumer Market—a $65 set of kitchen utensils made of that marvelous new substance—aluminum—and like most of his colleagues across Canada in hamlet and city, he found business good.

This despite the fact that $65 at that time was an unheard-of price to spend on the tools of the kitchen—women's emancipation from economic slavery was yet to come.

Yes, of course there was some dislocation and unemployment, but the adjustment came early and was short-lived. To call that a depression is sheer nonsense.

But what about the 1929 crash, and the subsequent terrible depression? Severe as the October 1929 crash was, 3 others of equal magnitude as measured by the Dow Jones Industrial Averages, had occurred previously in this century.

At December 31, 1929, one of Canada's greatest savings institutions with 55% of its assets invested in Common Stocks, remained in a very strong financial position on a market value basis.

A market crash does not necessarily result in a depression. Indeed, it may be simply a major corrective of speculative excess in the stock market—a harsh verdict that the market has gone too high too fast—with an underlying confidence in a resumption of economic growth.

But, if coincidentally there exists a deep-seated and continuing malaise, as there was throughout the "twenties", then a market crash will be followed by a depression.

The Treaty of Versailles had imposed heavy reparations on Germany. Those paid to the United Kingdom, for example, were remitted to the United States in payment of war debts, were reloaned by America to Germany to start the cycle again. Significantly, gold not goods was the acceptable form of payment to the New World. United States citizens understandably got a little fed-up eventually, and cancellation of reparations became the subject of many international conferences—all of which foundered on the question of forgiving John Bull his just debts.

In the end the merry-go-round collapsed, and those who say that the "market" never makes a mistake in long-range forecast, may be right—

In this instance it was telling us that time was soon to run out—that the world was to experience a long and desperate illness; that those symptoms of disease long prevalent but dormant, would soon be exposed in all their virulence.

But to repeat, "correctives" need not be followed by depression—but will be if deadly germs are allowed to remain too long in the economic body. It is inflation that I fear today, not reactionary world-trade policies.

But ironically, at this very moment the United Kingdom has been forced to adopt severe trade restrictions, temporarily we hope, but why?

Poor money management—Poor monetary control—Poor fiscal policy.

Inflation

Goods and Services were never cheaper in terms of the human effort that goes into their production.

But never more expensive in terms of the eroding dollar.

This paradox violates commonsense. It will not be long tolerated.

Therefore, to avoid cataclysmic distress—to avoid "voluntary burial" of the free economy, which the Soviet confidently predicts—we have no sensible alternative but to return to a "stable dollar"—and its healthy discipline.

Better to "face the music" now, than perish to the resounding strains of a Wagnerian opera.

50 YEAR COMPARATIVE INFLATION HISTORY

1914–1939 versus 1939–1964

		Index	% inc. over P			Index	% inc. over PP
Last prewar year P	1914	50		PP	1939	63	
war year	1915	50	+		1940	66	+ 5%
	1916	54	+ 9%		1941	70	+ 11%
	1917	64	+ 28%		1942	73	+ 16%
	1918	72	+ 44%		1943	74	+ 17%
					1944	75	+ 19%
					1945	75	+ 19%
1st postwar year	1919	79	+ 58%		1946	78	+ 24%
2nd " "	1920	91	+ 82%		1947	85	+ 35%
3rd " "	1921	90	+ 80%		1948	97	+ 50%
4th " "	1922	75	+ 50%		1949	100	+ 60%
5th " "	1923	75	+ 50%	Korea	1950	103	+ 63%
6th " "	1924	74	+ 48%		1951	114	+ 81%
7th " "	1925	75	+ 50%		1952	116	+ 84%
8th " "	1926	76	+ 52%		1953	115	+ 83%
9th " "	1927	75	+ 50%		1954	116	+ 84%
10th " "	1928	75	+ 50%		1955	116	+ 84%
11th " "	1929	76	+ 52%		1956	118	+ 87%
12th " "	1930	75	+ 50%		1957	122	+ 94%
13th " depression	1931	68	+ 36%		1958	125	+ 100%
14th " "	1932	62	+ 24%		1959	126	+ 100%
15th " "	1933	59	+ 18%		1960	128	+ 103%
16th " recovery	1934	60	+ 20%		1961	129	+ 103%
17th " "	1935	60	+ 20%		1962	131	+ 108%
18th " "	1936	61	+ 20%		1963	133	+ 111%
19th " "	1937	63	+ 26%		1964	135	+ 114%
20th " "	1938	64	+ 28%				
21st " " war	1939	63	+ 27%				

24/11/64

This table is to illustrate 1. That war does result in permanent inflation—in the case of War 1, about 50% increase in post-war living. 2. that a stable dollar is compatible with economic growth 1922–1930. 3. that there was an excellent chance in post-war 11 to peg war inflation at a + 25% level. 4. WPTB control of wartime prices had excellent results. 5. Index numbers are those published by the Dominion Bureau of Statistics who have applied their Consumers Price Index retroactively.

PRS 8002-521

64 Baby Point Road,
TORONTO 9, December 18, 1964

Mr. Maxime Guitard, Clerk,
Special Joint Parliamentary Committee
On Canada Pension Plan.

Dear Mr. Guitard:

Further to my submission to this committee, and in support of certain of my assertions therein, I am forwarding under separate cover certain documents or exhibits—detailed below—plus certain material in this letter, which I am duplicating, and 36 copies of it is also going forward under separate cover.

At the outset I must reemphasize that in my submission I speak as a private citizen—I repeat as a private citizen and independent of any connection with the life insurance business—that the brief was prepared without their help and the contents unknown to them—until it was in your hands.

But I spent 38 years in the employ of a fine life insurance company—the second largest Canadian Life Insurance company, for which I always have had and will always continue to have, a deep affection.

But a few years ago Canadian Life Insurance Companies petitioned (mine opposed) for an extension of their powers to enter the field previously rightly reserved to the trust companies—and in so doing asked and received the right to issue variable annuities and administer "segregated" funds—both being "inflation hedged savings" formula benefits. My company, having like the Metropolitan Life in the United States who also lost to one, then President Shanks of the famous Prudential Life of America (who stole Gibraltar from us), decided that competitively it was necessary for our agents' arsenal to contain this sinister "missile"—so sorrowfully I parted ways with my beloved company three years "early"—not suffering financial pension loss thereby, but with great grief on both sides.

I hope I have made my point that I am independent

RE STERLING CRISIS—AND INFLATION

I submit the following, authentic copies of

1. Barrons—leading editorial—entitled Bundles for Britain.
2. Hazlitt—News Week—Sterling crisis—note last paragraph and for "dollar" read "Canadian dollar".
3. Economist—London—Sterling Crisis.
4. A suggestion—I respectfully suggest you ask Mr. Lou Rasminsky or his representative, to report on the debate in Tokio at the last World Bank meeting,—for details of the famous debate in which World Bank permanent officials chided representatives of the Netherlands for their balanced budget policy, and the reply of the gentleman chided and that of the French representatives there.
5. The following extracts from the Royal Commission on Banking and Finance of 1964—pages 263 and 264.

   "Governments, having a captive source of finance, possibly at favourable rates, might well be inclined to spend more freely than they otherwise would.

   "Alternatively, the funds might be invested in a broad range of public and private securities to replace the investments which private institutions and savers would have undertaken".

   "At the very least there will be a shifting of functions from the private to the government sector, which will be in a position to exercise a direct influence on the allocation of a large share of the community's savings and might indeed come to *dominate* a large part of the financial system".

   "Professor Lundberg discussed with us some of the difficulties encountered in Sweden where the administrators of the national pension scheme, which is partially funded, have become not only important arbiters of capital and resource allocation, but also a centre of financial power whose decisions can influence the government's financial and monetary policies".

   "Arrangements of this sort would be a substantial departure from the accepted roles of the private and public sectors in the Canadian economy".

   "It is in fact all but certain that the financing of a national pension scheme with relatively high benefit levels would result in a

substantial reduction in the funds available for investment in the mortgages, bonds and equities which the savings institutions acquire".

"A change of this type in resource allocation in the economy and our financial arrangements might well take us into a new situation in which the experience of past market developments would have only limited relevance".

"A serious reduction in domestic private financial investment would fall most heavily on municipal and provincial governments and on business, agriculture and housing".

"It might well *lead to increased reliance on investment by non-residents*".

"...an adequate level of investment might place too heavy a demand on the economy's physical resources and *intensify the difficulties of combatting inflation*".

6. Re the number I version of the Canada Pension Plan.
   (*a*) "Pension Cake"—pages 4 and 5—dated November 1963.
   (*b*) US NEWS and WORLD REPORT—issue of December 7, 1964—entitled "How safe is your Social Security Pension—an official interview with Robert M. Ball, Commissioner of Social Security. NOTE: Check Mr. Ball's reassurances with pages 2 and 3 of Pension Cake.

Yours truly,

S. M. THOMPSON, F.S.A.

The Economist, November 28, 1984

THE STERLING TEST

The Labour government has gone to Canossa. It is standing there with a 7 per cent Bank rate, a promise that the coming corporation and capital gains taxes will not be too onerous ones, and an enormous and generous $3,000 million loan from foreign central banks to absorb the great waves of bear attacks which rolled in this week against the pound. Very many of the political assaults that will now be made against it, for what it has had to do, will be flagrantly unfair. However much one can rightly criticise Labour's economic clumsiness and public relations disasters in its first few weeks of power, nobody can justly say, after its disinflationary budget and its increase in Bank rate, that it has ever looked like surrendering to anything like a rake's progress. And perhaps it is just worth saying, in view of a certain undercurrent of exultation about the lurches to the right that have had to be made, and the natural resentment boiling up about these on Labour's own left wing, that it would be politically disastrous if anybody tried to force these rightward retreats by a chastened government noisily further home.

Given the obligatory retreats that have already been made, and the moderately right wing policy that has already been followed, a great many people may share with Labour's restless benches the feeling that it will be intolerable if Britain's proud status as a banking country obliges the nation's economic policy to be to much dictated by events such as this week's widly speculative transfer of capital across the exchanges. Conservative politicians, and still more foreign bankers who may now believe they have a debt-ridden Labour on the run, would be madly short-sighted to ignore the possibility of a future popular back-lash, damagingly anti-foreign and damagingly anti-City. The worst possible end to this sorry mess would be if Labour were driven or allowed to fight—and win—the next election on that.

This is emphatically not the shape of British politics at the moment. Certainly, the events of the past week have underlined the difficulties of running a banking currency, especially for a left-wing government and especially in the situation which Labour inherited. But it is important to keep a perspective about this present rather respectable, if inexperienced, left-wing British government and perhaps to remember here, when pondering whether an initially ham-handed government can recover, President Kennedy's Bay of Pigs after three months in office? The need now for outside commentators is to suggest how Labour should set about this economic recovery, and the need for Labour is to take heed of exactly what mistakes it has made.

Obviously, the $3,000 million loan, by itself, provides only the breathing space necessary to take the steps that are required for sterling's full rehabilitation, and which now become Britain's duty. The main charge that can be laid against the Labour government so far is that, incredibly, at this stage of the day, it has still to face up to the real policy implications of its own diagnosis of the payments crisis. The real burden that Labour has inherited from the last government is not just the balance of payments deficit for 1964, of £700 million or £800 million or whatever the figure ultimately proves to be when the official statisticians have finished with it. A once-for-all deficit of this kind could probably be quickly returned to rights by the stopgap measures, of import surcharges and temporary crisis-level Bank rates, which is all that Labour has so far resorted to. The trouble is that every observer of the international financial scene feels that the deficit would soon flare up again once these stopgaps, which Labour itself proclaims to be only very temporary, are withdrawn. This is because the deficit for 1964 does not look like a once-for-all mischance. Piled on top of the inadequate performance of Britain's balance of payments cycle over the last nine non-socialist years, and especially over the last cycle since about 1960, it appears more as a sign that Britain is, politics quite apart, in a state of some long-term disequilibrium.

Given this sign of basic unbalance, the real wonder is that right through this summer and autumn the speculation that normally accompanies it did not appear. It was only after the emergency budget, and especially from Friday of last week, when it became apparent that Labour considered short-term measures to be enough for the time being, that the panic began. The colour of the government, the gaffes of individual ministers, the omissions of consultation, and then the most bewildering factor of all, sheer uncertainly of what decision the government would be driven to next—all these added fuel to the speculative flames. But without the basic payments deficit underlying them the gauchery of a Labour government could not possibly have brought such merciless retribution in the exchange market.

This government-in-pawn must now provide much more specific evidence of its long-term remedies for Britain's basic payments deficit. It must show above all that, despite its natural and unprogressive inclinations to shy away from really significant radical changes in Britain's economic institutions and habits, it is willing to court the unpopularity that the choice of one or other of the available policy alternatives will certainly involve.

The real clue to the Labour Government's mishandling of this intensely difficult economic situation was given by Mr. George Brown when he presented that initial batch of correctives, consisting substantially of the too protective and too temporary surcharge. "We have spent the last ten days," the First Secretary of State confided in one of those unknowing moments of truth, "being told by all the best people why we couldn't do this, that and the other"; and the tragedy was that they faithfully listened to every one of them.

Thus the Government deferred not only to domestic political considerations but also, and equally, to the feeling of foreign and City bankers in, rightly, ruling out devaluation. It deferred to the international codes of conduct by ruling out any real export subsidies, though it did cause an equal furore by choosing

the much more dubious expedient of import restrictions, albeit in monetary rather than physical form. It deferred to Labour predilections, which at that time fitted neatly with those of Washington, in omitting any action on interest rates—until it was too late to have full psychological effect. It deferred to the Bank of England in avoiding any check on the yawning outflow of long-term capital, whether by administrative restriction or some new taxes *à l'Américaine*. It deferred to expansionists everywhere by ruling out a savage deflation. To repeat then: from the five possible remedies for basic imbalance—devaluation, sizeable export incentives, high interest rates, capital controls, or full scale deflation—the Government initially made a determined choice. This was that it would choose none of them.

Each of these omissions could be stoutly defended on its own. The hard fact remains that a choice among them has to be made if the balance of payments arithmetic is to add up. Certainly nobody can regard with equanimity the distintegration of the sterling area that controls on capital movements, just as much as devaluation, could involve. Nor, as *The Economist* has been the first to argue, could one be happy about additional deflationary measures that are certainly not justified on domestic grounds: even as it is, the new Bank rate, coming on top of the petrol tax and the surcharge, has clear deflationary risks, as it would not have done without the autumn budget.

Yet the economic choice has to be made. One of the choices—devaluation—is for good ruled out, now that Britain has made this borrowing from abroad. Even those people who are very rightly concerned by the growing inhibitions being imposed by absolute rigidity of world exchange rates, not just on economic growth in Britain but in more and more countries besides, must now face their own political realities and support measures to hold the parity with full voice. It follows, however, that they—and the government—must look for compensating adjustments elsewhere. One possible contribution could be made by increased controls on capital movements—though particular care would be needed at this delicate stage to avoid yet another adverse blow to confidence.

The better course would be to accept a high level Bank rate not just as a short-lived expedient, but as a major prop and stay for the capital account while the longer term correctives for the export-import balance are put in motion—i.e. perhaps even beyond the duration of the import surcharge. These longer-term boosts clearly include a really tough incomes policy (with no more Lord Devlins for the docks). But it is illusory to put one's faith in incomes policy alone; after all, Britain has in fact had a notably better incomes policy in the past few years than at least its continental competitors. It is productivity that has lagged. The Government must therefore still find a way to make exports directly more profitable. Among the five possible remedies mentioned above, our own choice still falls unrepentantly on tax incentives for exports; this will involve returning to an old suggestion, which has been debated and rejected in government circles before, but there need be no apology for that.

Since Britain's existing sin over the import surcharge has now probably ruled right out a second, if far more worthwhile, sin on actual export subsidies, a decisive new system of export incentives probably demands a substantial recasting of the domestic tax system. The object would be to put a far larger burden on indirect taxes, which the international codes do allow to be remitted to exporters, at the expense of present direct taxes on companies. As will be argued in more detail by a distinguished outside contributor in these columns next week, this presents a major case for replacing Mr. Callaghan's proposed corporation tax by a turnover tax—remitted, as in other countries, on export turnover. Until some real boost to exports is brought into effect, high interest rates must be kept as a safeguard for the foreign balance: and if the confidence trick is properly played, it ought to be possible, after a decent interval, to make compensating tax cuts if domestic demand does begin to flag. But it is idle to

ignore the fact that steady growth will no longer have priority. Instead, it is now clear, economic growth in Britain will be tailored, curbed and restrained to whatever rate the defence of the pound at $2.80 will allow.

It has been extraordinarily tough on Labour, after thirteen years in the wilderness, to be dropped with a majority of four into perhaps the stickiest economic crisis in even Britain's rich postwar experience. It is equally tough to face in such circumstances a critical business opinion at home and abroad. But no good will come to the Government from thrashing about at the unfairness of these handicaps. Unfair they may be; but in a large measure both have to be accepted as facts of political life. In a predominantly conservative country like Britain, it does tend to be at just such times that a left-wing party gets its chance; and left-wing parties do, in their nature, have a tougher time with businessmen, and with financial journalists, just as right-wing governments have a tougher time with trade unions and industrial correspondents. Mr. Wilson and his ministers, if they are to govern convincingly, must now not only stop fighting the last election, here and now and for good; they must also become vastly less sensitive to each and every bout of criticism, be bolder in taking action and tougher in sticking to it.

It is on his ability to take at least a six months' view, rather than on the inclusion of steel nationalisation or any other item from Labour's election manifesto, that Mr. Wilson's ability to govern now essentially depends. The long-suffering body of Britain's economy must urgently be released from the pummelling of petty politics, of which even politicians themselves have now surely had enough. If the pound is indeed to be taken well and truly out of politics, that demands, if not a bi-partisan economic policy—though heaven knows there is in truth enough basis for it—at the least a truce in this unending and potentially disastrous election campaign. From both sides, please.

Newsweek, December 14, 1964

Business Tides

THE STERLING CRISIS

By Henry Hazlitt

Never before has any British Government made so many economic blunders in so few weeks in power. First, the new Prime Minister, Harold Wilson, announced the imposition of a "temporary" 15 per cent surcharge on imports and tax incentives for exports. The effect was to injure and disrupt the exports to Britain of all other countries, even if its six economic partners in the European Free Trade Association, and to provoke murmurs of retaliation everywhere. Worse, the action was accompanied by "assurances" that Britain had "no intention" of raising its bank rate—in other words, that it had no intention of taking the first indispensable action toward curing its balance-of-payments problem.

Of course this provoked distrust of sterling, and a rescue operation had to be undertaken. So on Nov. 7 ten of the world's leading financial powers agreed through the International Monetary Fund to extend $1 billion in aid to Britain. But Wilson shook confidence further by announcing his determination to renationalize the steel industry. He hinted at new punitive taxes against corporations and investors, including a capital-gains tax. He increased pension and other social-welfare benefits.

THE 'SPECULATORS'

Sterling weakened again. Wilson gave new reassurances. Central banks and others thought there would at last be an increase in the British bank rate

at the regular weekly meeting on Thursday, Nov. 19. It didn't occur. The run on sterling started. Hurriedly, over the weekend, the British Government raised the discount rate from 5 per cent to the crisis level of 7 per cent. A Swiss banker made the premature declaration that "7 per cent will drag money from the moon." He forgot that it won't do this if lenders are afraid they won't get their principal back. The run continued, and wasn't stopped until Nov. 25 when eleven nations announced that they had put together a record $3 billion rescue package of currencies to defend the pound.

So the pound, once more, is rescued, and is presumably safe for at least the next three months. But what then? The notion so widely circulated in the press that the whole crisis was caused by a group of wicked speculators, "the gnomes in Zurich", is simply childish. It is hard to imagine any group of speculators foolish enough to imagine that they could permanently depress sterling by their own short sales. The "speculators" in sterling were the holders of sterling all over the world—central banks, commercial banks, exporters, importers, and investors everywhere. They were scared by the Wilson blunders. They wanted to get out. They wanted to protect themselves against being swindled as the holders of sterling were swindled by the devaluation of the pound from $4.03 to $2.80 in September 1949.

THREE CHOICES

The total $4 billion or so of credit at best gives the British Government a breathing spell. Otherwise it solves nothing. The future of the pound depends on the policies that the British Government follows.

It has three possible courses. First, it may try to save the pound by more of the same kind of controls as the 15 per cent import surcharge and the export subsidy. It may resort to exchange controls, investment controls, import quotas and licenses, compulsory exports, price and wage controls at home, and all the rest. But the world, and particularly the British, have become disenchanted with these methods. They would mean a return to inconvertibility, and at least two prices for sterling.

Secondly, the British could devalue the pound or, through the IMF, try to get a world devaluation of currencies in terms of gold.

Finally, Wilson could stand by tight money, and stop the printing presses that have been turning out a glut of paper pounds. But this might lead to credit contraction and, particularly if the British unions continue with their usual demands, to a slump and unemployment. This violates all the policies that the Labor Party has been preaching for the last twenty years.

The problems of the dollar are different in urgency, but not in nature, from the problems of the pound. The fool's paradise of budget deficits, cheap money, and printing-press currency cannot go on forever.

Barron's National Business and Financial Weekly, November 30, 1964

BUNDLES FOR BRITAIN

The Free World Is Under New Monetary Management

As financial crises go, the one that came and went last Wednesday (for the time being, at any rate) proved to be something of a dud. The sudden threat to the value of the pound, which once might have triggered a panic in stock and bond markets throughout the world, caused barely a ripple. Apart from a flier in gold shares, Wall Street simply sat tight. Dealers in foreign exchange, who had trouble finding buyers of pounds in the morning, or sellers in the afternoon, suffered nothing worse than a frustrating day. Indeed, the only U.S. citizens who lost much sleep over sterling were the staff of the Federal

Reserve Bank of New York, who, in order to remain in constant touch with their counterparts abroad, had to rough it in emergency quarters overnight.

Since the crisis passed, even those few who bore the brunt of it have resumed their customary routine. Federal Reserve officials have gone back to working regular hours. At the Treasury Department, the watchword is unmistakably business-as-usual. In a statement released appropriately for the Thanksgiving holiday, Secretary C. Douglas Dillon gave a hopeful reading to the whole affair. The speed with which the authorities moved to counter "unwarranted speculative pressures" on the pound, observed Mr. Dillon, constitutes "yet another demonstration that present international monetary arrangements are strong, sound, flexible, resourceful and responsive to the needs of the free world."

Like all public servants, the Secretary of the Treasury doubtless feels honor-bound to view everything through rose-colored glasses. Even so, only a perennial optimist could point with pride to the frantic transatlantic telephone fund-raising that strikes others as a desperate measure taken in a desperate case. Only a man of frightening aplomb could shrug off so easily the far-reaching significance of last week's events. While speculation inevitably played a part, the run on the pound in the main reflects mounting distrust in Great Britain's economic future under its present government. Similarly, by refusing to accept any substitute for higher interest rates, the European central banks in effect have given Washington, like London, a decisive vote of no confidence. While the extent and speed of the change remain obscure, one thing is clear: the free world today is under new monetary management.

The upheaval dates back to Friday, November 20, when uneasy holders of sterling, after weeks of waiting in vain for Labour to do something sensible about the deficit in the balance of payments, began to liquidate. Heavy selling that day cost the Bank of England, which commands less than $2.5 billion in gold and foreign exchange (against over $12 billion in short-term claims against sterling) an estimated $60 million. Over the week-end London announced that it had arranged to borrow $1 billion in various currencies for as long as three years from the International Monetary Fund; before the market opened on Monday, the Old Lady of Threadneedle Street, throwing a long tradition of decorum to the winds, boosted the Bank Rate from 5% to 7% (a move which prompted most Federal Reserve Banks to raise rediscount rates from 3½% to 4%). To everyone's surprise, however, pressure on the pound persisted. Hence on Wednesday, as rumors of devaluation spread, the second bundle for Britain, totaling $3 billion in three-to-six month credits, was hastily put together.

Like the Treasury's so-called Magic Fives, a 7% Bank Rate historically—in both 1961 and 1957—has succeeded in working wonders. Its crucial failure last week suggests that Harold Wilson's government, at least by the yardsticks of international baking, constitutes a greater disaster for the United Kingdom than Suez. "The fruits of Labour," said Barron's barely a month ago, "are likely to be bitter both at home and abroad." So, in just four weeks, the event has proved. In a move which aimed at reducing over-crowding but merely succeeded in skying rents, they have banned all new office buildings in the city of London. For the benefit of railroad workers, they have slowed down the Tories' efficiency drive and increased gasoline and diesel oil taxes. Come spring, they have pledged to unveil a budget calling for higher levies on personal incomes (in the middle and upper brackets) and corporate profits, as well as a tax on long-term capital gains. They are threatening to nationalize steel. What basically ails Great Britain is a shortage of talent—owing in part to the "brain drain"—and capital. Labour evidently proposes to cure it by frightening away both essentials of economic growth.

Foreign relations, too, have gone rapidly from bad to worse. As Her Majesty's loyal opposition, the Labour Party, through doctrinaire objections to the sale of frigates to Franco's Spain, succeeded in scuttling an estimated $100 million worth of badly needed exports. Since the October elections, Whitehall has pursued a policy of alienating friends and allies right and left. Two weeks ago, just before the latest outburst of Communist-inspired savagery in the Congo, it imposed an embargo on arms shipments to the Union of South Africa. Perhaps more important, London's highhanded decree of a 15% surtax on imports of luxury and manufactured products has proved acceptable to nobody but Washington. The other members of the European Free Trade Association have assailed it bitterly as a breach of solemn treaty obligations. In the House of Commons recently, a leading Tory denounced such behaviour: "The present British Government has already won itself the reputation of being a government of broken faith. Each country from Norway to Spain had that done to it most calculated to offend its pride and instill doubts as to the value of agreements..." Napoleon once called Great Britain "perfidious Albion." For the first time in history, Harold Wilson threatens to make the name stick.

Such policies inevitably have offended and alarmed Britain's creditors, private and public alike. The European central bankers who helped finance last week's bail-out have been discreet. Nonetheless, their views on fiscal and credit matters are known to differ sharply from those of both the Chancellor of the Exchequer and the Secretary of the Treasury. For example, M. W. Holtrop, who doubles in brass as head of the central bank of The Netherlands and president of the Bank for International Settlements, is a sound money man. So are Karl Blessing of the Bundesbank and Dr. Guido Carli of Rome, whose stern restraints on inflation lately have gone a long way toward reversing capital flight and strengthening the lira. Even Socialist Sweden, homeland of the mischief-making Gunnar Myrdal (whose public advice to Labour to devalue deserves at least part of the blame for the run on the pound), has seen fit repeatedly to boost its discount rate. In terms of fiscal and credit policy, Washington and London have been dangerously out of step. Now the pressure of events is forcing them into line.

While damaging to certain reputations and bruising to the national prestige, the experience, we venture to say, has not been wholly profitless. A financial crisis has been averted. More important for the free world's long-range solvency, creditor nations finally have moved to lay down the economic law to their debtors. Whether they can save the pound remains to be seen. By forcing Washington's hand, however, they surely have struck a blow in defense of the dollar.

U. S. NEWS & WORLD REPORT, Dec. 7, 1964.

BACK OF THE QUESTIONS ABOUT SOCIAL SECURITY

There's rising worry now about Social Security pensions.

Many note this: Despite higher Social Security taxes, the reserve back of pensions keep dropping; it was expected to soar.

Another worry: Congress may add hospital care, wiht huge and unknown costs, to the program.

The fact is that Social Security has undergone vast changes. And more may be coming.

Commitments to pay more than 625 billion dollars in benefits now are on the books of the old-age, survivors and disability insurance system. These are the Social Security pensions to which Americans are looking for income to support them in their old age.

In the reserve fund built up back of those pensions there now is less than 22 billion dollars. Actually, this fund has been diminishing in recent years instead of increasing as had been forecast in the past.

Now Congress is getting set to raise Social Security benefits and taxes once again. In addition, pressure is building up to enact a system of hospital care for retired persons. The idea, gaining in favor, has been to put such medical care under the Social Security system.

Costs of such a hospital-care program are highly uncertain. Opponents of such a measure warn that medical care could bankrupt the pension system. Proposals are being made to keep hospital care separate from the pension plan.

Doubt among pensioners. Even so, many people are beginning to ask: Just how safe and secure are Social Security pensions?

In the interview beginning on page 55 you get official answers to that question from Robert M. Ball, Commissioner of Social Security.

Other facts, added to those brought out in the interview, help to explain to the 95 million people now insured or drawing benefits under the system what is the condition of its finances.

Social Security, as it has turned out, is not like a private insurance system.

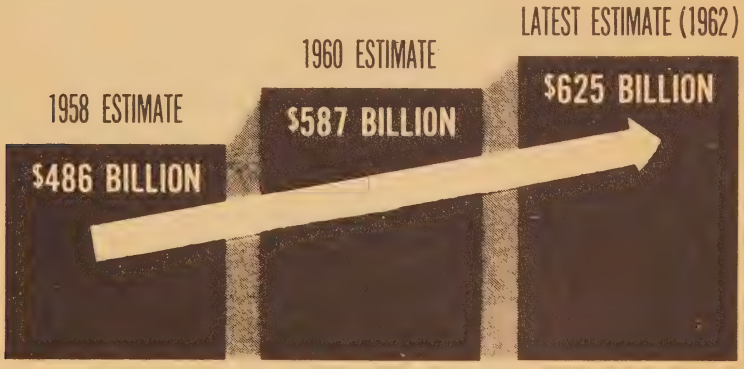
For instance, the reserve fund has not been built up anywhere near the level of commitments to pay pensions, as would be the case in a true insurance system.

Actually, the whole concept of the Social Security program has changed. Instead of building up a mammoth fund, the program is now virtually on a pay-as-you-go basis, and has been for quite some time.

The reason: Congress keeps raising benefits about as rapidly as Social Security payroll tax collections go up.

THE VAST AND GROWING COMMITMENT OF SOCIAL SECURITY

Official estimates of the total future obligations of the Social Security system are shown here. The figures reflect the estimated total benefits to be paid in the future to persons now retired and to those now working and paying Social Security taxes to finance retirement in later years.



This is a measure of the huge and constantly increasing size of the Social Security program. As more and more people become entitled to bigger and bigger pensions in future years, the total commitments of the system grow.

Note: The obligations shown above are amounts that would be needed to equal the benefits to be paid out in future years if the sums were invested at 3 per cent interest.

Source: U.S. Dept. of Health, Education and Welfare.

This steady liberalization of the program has kept the trust fund from building up to predicted levels.

For example, in 1954, before disability was added, the OASI trust fund stood at 20.6 billion dollars. The official forecast at that time was that the fund would climb to 28.5 billion dollars by 1965.

Reserve shrinks. Actually, the old-age fund for 1965 is estimated at only 18.5 billions. Instead of showing a sizable gain over the past 10 years, the fund actually has been diminished by about 2 billion dollars.

Commitments to pay pensions, meanwhile, have mounted steadily—as the accompanying chart shows.

How safe, then, are future retirement checks under Social Security?

The prevailing view is that, as a practical matter, pensions will be paid, even if they have to be financed out of general tax revenues of the U. S. Treasury. Nobody really doubts that.

But note this: Under a pay-as-you-go system, Social Security pensioners will be paid in large part from taxes levied on future workers.

To illustrate how this works—

At latest official estimate, in 1962, it was calculated that Social Security would need 625 billion dollars to meet commitments to pay retirement and survivor benefits to those already insured.

Against this liability, these assets were listed:

Workers covered under the program could be expected to pay 282 billion dollars in Social Security taxes before retiring—counting employer contritutions.

The gap widens. The old-age fund, with disability added, had calculated reserves of 22 billion dollars at the time of the 1962 estimate.

Total assets thus came to 304 billions—as against total liabilities of 625 billions.

This left a gap of 321 billions.

Where will that money come from? Answer: From new workers entering the labor force and paying Social Security taxes—together with their employers' contributions—at relatively high rates for a lifetime.

The important point, the experts emphasize, is that this pay-as-you-go system does not threaten the safety or the soundness of the Social Security system in any manner.

Though Congress has shifted part of the tax burden to future workers and employers, it's agreed that benefits due to pensioners will be paid, that the obligations of Social Security will always be met.

An Official Interview

HOW SAFE IS YOUR SOCIAL SECURITY PENSION?

People keep asking: Can I really count on a Social Security pension? What's the assurance there will be money to pay it? Will rising costs wreck the pension system? These and many other questions are answered here by the top man in Social Security.

Q. Mr. Ball, are people's Social Security pensions safe?—A. Oh, yes, I would say that they are absolutely and completely safe.

Q. For persons who retire in the future, as well as for those already retired?—A. Yes, for both groups.

People who are now getting pensions will continue to get them, and those who are entitled to pensions in the future will be able to draw them in the amounts the law contemplates.

Q. What is the guarantee?—A. It's this: The Social Security program has been set up in such a way that, taking the system as a whole, the contributions

paid by workers and employers and the self-employed, plus the interest earned by the Social Security trust fund, will meet all benefit costs as they fall due in the future.

Now, it is true that there is a need for a small reallocation of income between the old-age and survivors part of the program and the disability part. But this can easily be handled, and without any increase in over-all contribution rates. Remember that Congress, from the beginning, has been very, very careful to provide for full financing whenever benefits have been increased. Costs of the program have been increased significantly, but the scheduled contribution rates have been increased to cover the costs.

Q. What is the assurance that this kind of balance will be continued in the future?—A. Mainly the strong determination of all concerned to see to it that the program is soundly financed. Congress has shown that it will take no chances on this.

As a safeguard, the financing of the program is studied and reported on regularly by a board of trustees and reviewed by an advisory council composed of people from outside the Government.

Nothing is left undone to keep the program sound.

Q. You mentioned the Social Security trust fund. What is that?—A. It is a fund that stands back of Social Security benefits and can be used only for this purpose. It is first of all, a contingency reserve for periods when outgo might be greater than income because, for example, of a decline in employment. Secondly, the funds earn interest and thus help to meet benefit costs.

Q. How much is now in that reserve fund, or trust fund?—A. About 22 billion dollars in the old-age and survivors insurance fund and the disability insurance fund combined.

Q. Isn't that less than a few years ago?—A. Yes, there have been some ups and downs in recent years. The funds hit a peak in 1958 of almost 24 billion dollars.

..."SOCIAL SECURITY TRUST FUND WILL GROW AGAIN"

Q. So the fund has been shrinking—A. That's right. But much of that decline has been the result of special and temporary situations. Some of the changes that have been made in the Social Security program have been of a character that increased short-term costs without increasing the long-term, or total, costs of the program.

Q. What do you mean by that?—A. Take an example. In 1956, Congress gave women workers and wives of retired workers the privilege of taking their benefits starting at age 62, instead of 65. Those who choose to do this get reduced benefits—that is, smaller pensions than they would have drawn if they had waited until age 65 to start. So, over the long run, the benefit cost is no greater than if these women had waited until 65 to start drawing benefits.

Q. So, in time, it will all even out—A. Exactly. You see, a lot of people came in for benefits who would have waited until age 65 under the old program. That had the short-term effect of reducing the trust fund.

Q. Later on, will the fund start growing again?—A. Yes, it will. The payroll tax rates for Social Security—what are often called the "contributions" of employees and employers—as now scheduled in law will produce a significant increase in income for the fund in years just ahead. There will be more money coming in than going out, and the trust fund will grow again.

Q. Starting when?—A. In 1966, and even more so in 1968. The employee today is paying $3\frac{5}{8}$ per cent of the first $4,800 of his earnings, with the employer paying a like amount. In 1966 the rate is scheduled to go to $4\frac{1}{8}$ per cent and, under present law, the final rate of $4\frac{5}{8}$ per cent is scheduled for 1968. These rate increases will produce large fund increases.

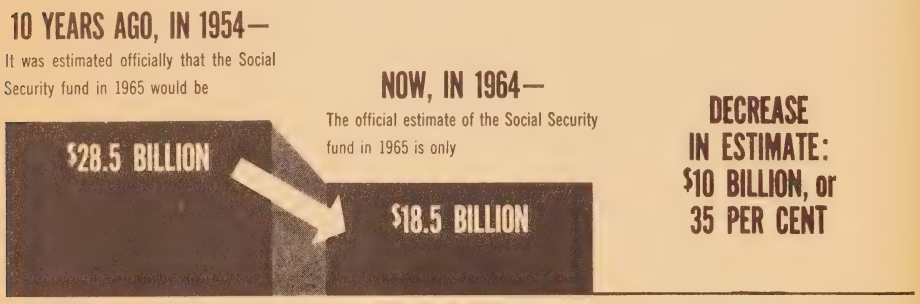
Q. Looking ahead, how big is the fund expected to be in future years—at the schedule of benefits and payroll taxes now in law?—A. Under the assumption that earnings levels will not change in the future, the funds are estimated to reach 55 billion dollars by 1975 and over 100 billion by the end of the century.

If earnings increase—as seems virtually a certainty—these balances will be even higher under your assumption that benefits are kept as in present law.

However, I would like to point out that, in all likelihood, benefits would be increased under conditions of rising wages, thus holding down trust-fund accumulation. Moreover, it is quite likely that the ultimate rate will not actually go into effect as early as 1968. The 1958 advisory council recommended against allowing this increase to go into effect under circumstances that would produce large trust-fund surpluses, and, in its consideration of legislation this year, the Congress voted to change the rate schedule so that there would not be such a large buildup in the years immediately ahead.

SOCIAL SECURITY PENSION FUND: HOW THE SIGHTS HAVE BEEN LOWERED

Official projections of the size of the trust fund for Old Age and Survivors Insurance as of the end of 1965:



REASON FOR THE DROP: Over the years, Congress has voted repeatedly to expand the program, increase benefits and cover more people. Payroll taxes have been raised, too, but not enough to keep the fund growing as originally projected. In recent years, the fund actually has diminished. The Social Security Administration says this shrinkage is temporary, however, and the fund will soon start growing again.

Note: Figures are for Old Age and Survivors Insurance only. Reserve for Disability Insurance is not included.

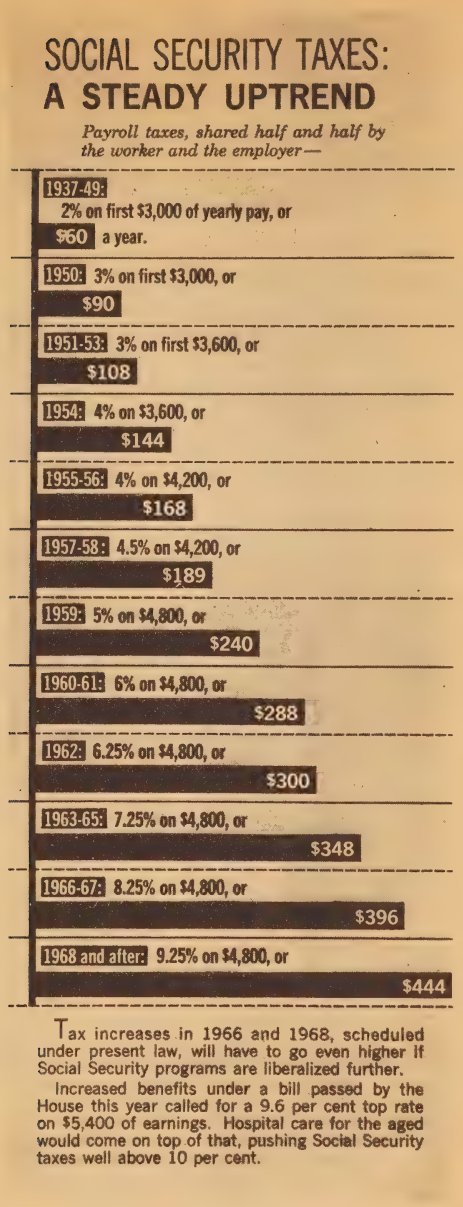
Q. As of today, isn't the fund considerably smaller than was contemplated earlier?—A. That's right, for reasons I have mentioned.

Q. And you don't regard this as any threat to the system, or to the safety of people's pensions—A. No, I do not. You see, you have to look at the long-range balance of income and outgo under the scheduled contributions, or tax rates. And there is nothing in this picture to cause concern about the soundness of the program.

"THE PROGRAM IS SOUND"—

Q. Is this your own opinion, or does it also represent the judgment of other authorities on the program?—A. Oh, it's not just my word, but the conclusions of outside advisory councils and of the Congress—that the program is 100 per cent financially and actuarially sound.

May I emphasize that the policy question of how large you want the trust fund to become does not relate to the question of whether these pensions will be paid as they fall due. Very little of the cost of future benefits—only about



10 to 15 per cent—is expected under present law to come from interest earnings on the trust funds. The benefits will be paid, whether or not a large trust fund is accumulated.

Q. You mentioned that the program is financed in part by the interest earnings on the fund. A smaller fund than contemplated means less income from interest, doesn't it?—A. That's true. But it should be emphasized that the principal income of the system is from the contributions, or payroll taxes, paid by employees, employers and self-employed persons. Under present law, as I indicated, the earnings of the fund from interest, in the long run, are

estimated to account for only about 10 to 15 per cent of the total cost of the system. So you can see that interest on the fund is not the big thing in financing the program.

Q. Are you saying that large interest earnings on a big trust fund are not necessary for sound financing of the program?—A. Exactly. A smaller fund than contemplated simply means that some part of the 10 to 15 per cent of the cost of benefits now assumed to be met by interest must be financed in some other way. Contributions are the principal source of income in any event.

IF THERE'S A DEPRESSION—

Q. What if we were to have a depression? Would the fund, at its present size, carry the program through a period of sharply reduced income from payroll taxes?—A. Yes, this fund is considerably more than enough to carry the program through a business downturn comparable to any downturn that has been experienced in this country for a generation.

Q. Like the depression of the early '30s?—A. Well, now, I don't think anybody contemplates that the United States will again get into a situation where a quarter of the labour force is unemployed, as there was in the early 1930s.

Q. In a depression, wouldn't there be a drop in the income of the program and an increase in the number of people retiring and starting to draw pensions?—A. Yes, there would.

Q. What would happen if, in a prolonged and severe depression, the fund were wiped out?—A. Well, I have indicated that even the present fund, which will grow in years ahead, is sufficient to carry us through a very serious depression. I believe it is unrealistic to consider a situation so severe and so prolonged that the fund would be wiped out. If you project such a serious situation as that, the whole country would have hundreds of terrible problems, of which this would be only one.

"CONGRESS PROVIDES SUFFICIENT FINANCING FOR BENEFITS"

Q. What is the Government's commitment to pay pensions? Does the pensioner have some sort of contract with the Social Security system?—A. No, there is no such contract. This is one of the major distinctions between a private insurance arrangement and a Government social-insurance arrangement. But, under a Government program, people have statutory rights. The commitment is stated in law.

Q. Meaning that a person can demand his rights as provided by law—A. That's right. If the administering agency does not give the individual those rights, he can appeal through an appeals process, ultimately to the courts if necessary, and force payment of benefits that have been given him by act of Congress.

HOW SYSTEM HAS CHANGED

Q. Can't Congress change the law, thus altering the individual's rights?—A. Indeed it can, and it has repeatedly. These changes have been by way of broadening the program, raising the benefits of those already retired and yet to retire, adjusting contributions accordingly—all these have been changes that affected the rights of individuals.

This is in contrast with private insurance contracts. Under a private contract, an individual has an agreement to pay a given number of dollars and, in return, he gets certain protection that almost always is expressed in terms of fixed dollars.

Q. Has Congress ever voted to reduce pensions?—A. No, never.

Q. Do you think there is any likelihood that Congress would ever reduce Social Security pensions?—A. No, I really don't. I don't think this is at all a real possibility.

Q. As you say, Congress has raised benefits a number of times. Has it always provided payroll-tax rates high enough to meet the benefits to which the system is committed?—A. Yes, absolutely. I would say—and the trustees and the past advisory councils have had no hesitation in saying—that Congress has provided sufficient financing to meet all the benefits as they fall due, using the best actuarial estimates obtainable.

Nobody pretends to know exactly what's going to happen 75 or 100 years from now. But, so far as we can see at this time, the contribution rates as set by law are sound and adequate for the needs as currently projected.

Q. And are you saying that pensioners need have no fear that Congress will ever raise benefits and decline to raise the payroll tax enough to cover the cost?—A. To me it's quite unthinkable that Congress would raise benefits without making provision to cover the cost. I don't believe there is any program that has been handled more responsibly by the committees of Congress or by the executive branch of the Government than has the Social Security program.

Let me say this: The Social Security system has been correctly called the largest financial trusteeship in history. Just about every American has a stake in it. Congress is well aware that the soundness of its financing—the sufficiency of the financing to cover its obligations—is a matter of great importance to the whole population of this country. The Congress has proven its complete responsibility in this matter by always providing for the full financing of the benefits.

Q. Some people have been saying that a 10 per cent combined tax—that is, 5 per cent each on employer and employee—is about the practical limit for Social Security. If so, does that also mean a ceiling on benefits?—A. Well, I have heard statements about a 10 per cent limit. Personally, I doubt it. The Senate this year passed a bill calling for a combined rate of 10.4 per cent, but this did not become law in the session just ended. However, the important point we have just been discussing is that benefits and financing go together. I don't know anyone who advocates increased benefits without also advocating increased financing to cover the cost.

Q. Getting back to the reserve funds: In what form does the fund hold that 22 billion dollars?—A. In U.S. Government bonds.

Q. The Government, in other words, has borrowed the money—A. Yes, and put up bonds for it.

Q. So the money has been spent, and is not there in the fund at all—A. It is true, of course, that the Government—as a borrower from the fund, just as it would as a borrower from a bank—has used the cash. The fund, instead of holding cash, holds Government bonds, and earns a return on those bonds. The Government has an obligation to the trust fund, as it would have to an individual or bank or corporation it had borrowed from. That obligation is to pay interest and repay the principal.

ADVANTAGES IN FUND LOANS

Q. Some people find it hard to believe there really is a reserve fund. Is there a fund when the Government has already borrowed and spent the money?—A. Of course there is a fund, and no less real than if the money were there in cash.

I'm always surprised at the persistence of the idea that the fund is gone. This has been answered authoritatively many, many times.

I think it's clear, on analysis, that the situation is this: If the Government did not borrow from the trust fund, it would have to borrow an equal amount from others—say, the banks or the general public. Then, when the time came to pay off the bonds and interests, the Government would have to colect taxes or else borrow to pay the banks or the general public.

It's exactly the same way with the Social Security funds. To the extent the Social Security trust funds—instead of other bondholders—receive interest in the future, it is not necessary to get as much income from Social Security contributions. If there were no Social Security funds, general taxes or borrowing would have to be equally high to pay the private bondholders and, in addition, Social Security contributions would have to be higher to make up for the lack of interest income.

Q. And the Government's commitment to the Social Security fund is the same as the commitment it has to any other holder of Government bonds?—A. Exactly the same. To the same extent that the Government's credit is good, the Social Security fund is sound.

Q. Another question about the soundness of the program: It appears that the typical worker and his family stand to get back ultimately more than he pays into Social Security. If that's true, how can the system make ends meet?—A. What's overlooked in this question is the employer's contribution. That's the main thing. Remember that every dollar paid in by an employee is matched by another dollar paid in by his employer. So the employer's contribution is used toward the cost of benefits to those who do not themselves pay the full cost of their own benefits. Then, too, there are the interest earnings of the fund.

"THIS AMOUNTS PRETTY MUCH TO AN INFLATION-PROOF SYSTEM"

Q. So it's not true that this generation of workers is just shifting the burden to future generations?—A. Not in the sense of shifting a burden in higher employee contributions.

In real economic terms it is true that the producers of each generation support the retired of that generation except insofar as the savings of the retired have increased available capital and therefore production.

Q. Who are some of these groups that do not pay their way?—A. Well, right now there are a great many people drawing benefits who became eligible for retirement before they had a chance to contribute for any long period of years. Under present law, a part of the employer contributions on into the future goes to pay the major part of the benefit costs for these people.

Q. Are lower-paid workers in that group, too?—A. Yes, they are. If their benefits were geared strictly to their wages and contributions, some of them would draw pensions too small to serve a real social purpose. So there is a weighting in the benefit formula to give them higher benefits in relation to their contributions than, say, a worker earning the maximum amount subject to the payroll tax.

Q. Can a youngster starting to work today ever hope to get back as much as he paid in?—A. Yes, and then some. On the average, youngsters starting to work now will pay for about 80 to 85 per cent of the cost of their benefit protection. The rest will come out of the employer's contribution.

Q. What about a youngster earning $4,800, the maximum amount subject to payroll tax, and thus paying the maximum tax?—A. If you measure that on a traditional actuarial basis, he can expect to get back just about the value of his own contributions. If you recognize that in all probability dollar benefits will be increased as wages and prices rise, he will get more than the value of his own contributions.

You must, of course, take into account the probability that a youngster in time will acquire a family of his own. The protection he is paying for includes benefits for his survivors in event of his death and for himself and his dependents in the event of long-term total disability. These parts of the program are often overlooked.

WHEN BREADWINNERS DIE

Q. In numbers involved, is survivorship protection an important part of the program?—A. Extremely important. For example, we are now paying monthly benefits to about half a million young widows and well over 2 million paternal orphans. The face value of the protection provided in the survivorship element of the program alone is about 625 billion dollars. You have to take that into account in measuring benefits against payroll contributions.

Q. From the standpoint of the typical worker, is Social Security a good buy? Would it be correct to say that no worker could buy private insurance to provide what Social Security does at a cheaper price than the tax he pays?—A. Yes, I would say that. And it's primarily because of the employer contribution.

Q. Another point that is sometimes mentioned as a hazard: Might an individual's stake in a Social Security pension be wiped out, in part, by inflation?—A. Well, as a practical matter, no—not to any major extent and not for any long period of time. As a matter of fact, this amounts pretty much to an inflation-proof system.

Now, I'm not implying that this is written specifically into law. What I am saying is that it works out to be largely inflation-proof, for two reasons: first, because of the way it is financed, and, second, because of Congress's record of raising benefits to offset higher living costs.

Q. What do you mean by saying that there is inflation protection in the way the program is financed?—A. It works this way: The contribution, or payroll tax, is based on the first $4,800 of the worker's pay. As wages rise, more and more workers earn enough to pay the maximum tax. Others in lower pay scales get higher wages than before, and pay more tax. Thus, the tax generates more income for the program.

On the other hand, because the benefit formula, as we discussed earlier, does not give as much to the higher-paid worker as to the lower-paid in relation to contributions, benefit obligations do not rise proportionately with increased earnings and the resulting increased income to the system. This tends to produce a surplus of income to the trust fund.

Q. How does that help the individual?—A. This way: Any surplus income to the fund provides a certain amount of leeway for Congress to raise benefits without raising the payroll tax. The effect is to give protection against inflation, particularly when you recall that wages in this country have, on the average, risen much more than prices.

Q. To sum up, would you say that pensions are secure against everything except runaway inflation?—A. I would say that pensions, in any event, are secure in terms of dollar amounts. I would think they are also safe in terms of purchasing power, because I would expect that Congress, as in the past, would make any changes necessary to keep benefits up with prices. I think that obligation is well recognized in Congress.

COVERED: 75 MILLION

Q. You mentioned the fact that nearly everybody in the country has a stake, direct or indirect, in the Social Security program. How many workers are covered?—A. In the course of a year, with people moving in and out of

the labor force, slightly more than 75 million people make contributions to the program—that is, pay Social Security taxes. At any one time, 9 out of 10 workers are covered. Just about everybody is in the program. There are two major exceptions, first, federal employees, who have their own program; and, second, self-employed physicians.

Q. How many are drawing pensions?—A. About 19.7 million. That's one out of every 10 people in the country.

Q. Will the number grow?—A. Yes. It grows each year.

Q. And you seem to feel that these people need have no fear about whether the money will be available to pay these pensions as they come due in increasing numbers each year. Is that right?—A. That's right. Absolutely.

(End)

PENSION CAKE

By S. M. Thompson, F.S.A.

"Pension Cake" is part of a forthcoming book which Mr. Thompson (a former Vice-President and Treasurer of The Manufacturers Life Insurance Company) is preparing. It was written by Mr. Thompson before recent proposed changes in the Canada Pension Plan were announced by the government, but since we had already scheduled this critique as an insert in our February edition of the News Letter, and since Mr. Thompson asserts that the facts are fundamentally correct notwithstanding the new proposals, we decided to circulate his comments as planned. (We realize that certain of Mr. Thompson's figures may no longer be correct in view of the changes—if they are implemented.)

Not all of us who have responsibility for publishing Mr. Thompson's comments on the proposed Canada Pension Plan agree completely with his presentation; we do agree with the spirit of what he says and we admire his manner of saying it. We believe you will enjoy his style and that you will find his arguments thought-provoking.

(Supporting Mr. Thompson's opinions and the industry's, was a Financial Post article, February 1st issue, by Marian Ogden. Miss Ogden says: "Ottawa's new version of the Canada Pension Plan, instead of settling controversial issues and pacifying critics, has raised a whole new set of questions. And most of the old objections still stand... Unlike private pension funds, which are deliberately built up to meet known benefit objectives, Ottawa's newly conceived fund grew up accidentally (as a result of various benefit changes and shifting of financing methods) and is in fact subject to no plan.")

If the proposed CANADA PENSION PLAN is enacted, Canada will have a 3-layer Pension cake:

Old Age Security + Private Pension Plans + the CPP

This paper concerns itself with the new layer—the CPP. It is a lab report of the chemical analysis of the ingredients in this new layer. With the conclusions that this seemingly sweet and pleasing cake-layer is, in the process of disgestion, toxic to a pronounced degree.

Its effects on the consumer will be similar to that induced by a powerful stimulant—elation followed by depression.

The long-term effects are more serious; they will evidence themselves 25 or 30 years hence and are most apt to develop a near-fatal illness.

At that stage any treatment can only be of a temporizing nature—though there is, of course, the well-known superdrug "inflation" which would destroy the disease while the patient dies of the medicine.

As an Addendum, there is attached an analysis of the two existing layers—OAS and PPP—showing that these are wholesome and that PPP is especially nutritive.

THE CANADA PENSION PLAN

The Canada Pension Plan is a compulsory coverage of virtualy all civilian employees in Canada, aged 18 to 69. In addition the plan offers voluntary coverage to the self-employed, such as: professional people—doctors, lawyers and nurses; farmers and travelling salesmen; workers in casual employment such as cleaning women, fishermen, housemaids and farm laborers; some 6,350,000 persons in all—Canada's work force.

The pension benefit is 30% of average salary at age 70, with a death benefit to surviving widows of 60% of the foregoing. For full benefit at 70, a minimum employment record of 10 years after inception is required, but those now aged 60 to 69 can secure graded-down benefits of 9/10, 8/10... to 1/10 at age 69. A person aged 69, for example, may work 1 year and receive a monthly pension of $10 for life at age 70. Also, retirement may take place before 70 at reduced rates of benefit. For example, one may retire at age 65 at 67½% of full pension, 74% at 66, 80½% at 67; 87% at 68, and 92½% at 69.

The plan assumes that all boys and girls aged 18 and presently working, have in prospect 47 years of gainful employment—from now to age 65—but to cover periods of temporary disability—such as skiing accidents to the boys and child-bearing for the girls—or temporary unemployment for any reason, (with resultant wages zero), 10% time off is allowed in computing average salary, or 4.7 years. It at the inception of the plan you are 25 years old, you get 10% of 40, or 4 years off.

The contribution is 2% of salary or wages, 1% from employee, 1% from employer. Self-employed pay 2%. These are for the First Ten Years only.

After 10 years, one has a choice of "high" or "low".... see EXCURSIONS TO NEVER-NEVER LAND, following.

Like RICH and POOR RELATIONS BENEFITS and CONTRIBUTIONS ARE RELATED, but, BENEFITS and CONTRIBUTIONS ARE NOT EQUATED.

Example 1: Actual

I am already a pensioner under a private plan, aged 63, in fair health. To avoid boredom, I am an actuarial consultant in a small way. If I were to exert myself and earn $4,000 in fees in each of the next 6 years, I could draw a CPP pension for life at the rate of $720 per annum for which I would have paid $480 in total! As it is a 4 to 1 bet that I reach age 70, and then have excellent chances of collecting not one but ten years of pension, the temptation is well-nigh irresistible! Dare I deny my dependent wife the fruits of this extraordinary windfall —but if I don't deny her, dare I face my unmarried daughter and my son-in-law with his heavy family responsibilities, each on modest salary—knowing that almost every penny of my pension is paid by them or people like them?

Example 2: Hypothetical

The mysterious case of the CORPORATION EXECUTIVE and his SECRETARY. He is aged 60, makes $40,000 a year, is not on the horns of any moral dilemma about pensions, for he is obliged by law to join the CPP. He is compelled to pay $40 a year to it for 10 years if he stays on his job. For his contributions of $400 in all, he receives at 70 a pension for life of $1,200 a year! If he had bought it from the Government Annuities Branch, he would have had to pay almost 30 times as much!

His Secretary is POLLY POTHOOKS, aged 25, salary $4,000. She too is obliged to pay in $40 a year. Polly works for 10 years, then marries. When she leaves the office, she gets a certificate for a paid-up pension at age 70. For how much? $100 a month like her boss? . . . No, for $27.80 a month as long as she lives—past 70.

The Minister seemingly dismisses the inequity of pension return in example 2 by reminding us that at the inception of any pension plan, older people always present problems—and by inference, seems to suggest that time will wipe them out.

I suggest that we test this optimistic assumption in the History Lab.

Social Security is the NAME of the CONTRIBUTORY WAGE-RELATED PLAN in the United States. It came into effect there in 1937, and at the end of 1959 was 22 years old. All wage-related plans contain inequities at inception, but have these been eliminated after 22 years?

Hereunder is the record of 4 men, each aged 43 at the inception of the plan, and who retired at age 65 in 1959.

Note that their salaries or wages varied from "low" to "average".

4 Married Men: Retired at 65 in 1959

Average Monthly Earnings	The value in 1959 of All Future Benefits	Total Contributions	Windfall
$100	$12,460	$ 820	$11,540
200	17,740	1,840	15,900
300	22,170	2,490	19,680
400	24,490	2,590	21,900

From this history, it is evident that Time Does Cure Inequities!

On the contrary, time tends to compound inequities, when we now observe the steadily increasing premiums necessitated by this plan and the future prospect of this plan.

CONTRIBUTIONS

Initial contributions are deceptively low in wage-related plans. But here is the schedule of rates actually paid under the SOCIAL SECURITY PLAN in the UNITED STATES.

1937	2%	of contributory earnings
1940	2%	
1945	2%	
1950	3%	
1954	4%	
1962	6¼%	
scheduled for 1968	9¼%	

By 1962 the rate of contributions had trebled.

The plan was 25 years old in 1962, and at this point one of Canada's most eminent actuaries said:

"To help sustain the level of Social Security benefits now being paid out, the contribution rates are scheduled to a 50% increase by 1968.

"By that time many young men entering the labour force and their employers will be paying into the plan nearly double the amount they need to buy their pension in the PRIVATE ANNUITY MARKET".

What happens then?—Rebellion?—Collapse of Plan?—"unless these promises are hoisted further, with the cost hopefully saddled onto still younger brothers and sons".

—deferring the day of reckoning—

The key word is hopefully—and with that, we enter the never-never land of Population Projection, its age distribution, and explore the range of future pension premium rates.

For a description of this journey into the distant future, we now turn to the actuarial report of August 30, 1963 on the Canada Pension Plan, prepared by the Chief Actuary of the Federal Department of Insurance.

EXCURSIONS INTO NEVER-NEVER LAND

Why hopefully? In any estimate of future long-range costs under a wage-related pension plan, it should be evident that the single most important factor is the proportion of pensioners to workers and the trends therein.

$$\text{The higher the ratio, } \frac{\text{pensioners}}{\text{workers}} \text{, the greater the cost.}$$

The lower " " " " lesser " "
An increasing ratio " rising costs
A decreasing " " reducing costs.

Observe our intrepid actuaries as they make their perilous journey into the Never-Never Land of Projected Canadian population. They in fact make 2 excursions.

FIRST EXCURSION

This is a bold and daring adventure—everything goes off just right. While mortality does improve, it is much greater among the worker and particularly among young workers; immigrants come in goodly numbers and stay, but most importantly of all, our girls maintain their present world record as baby-producers.

Remember Polly Pothooks and the formula on page 1? Everybody Polly's age gets 4 years off, to cover temporary disabilities, so average salary is based on 36 years of best salary! Fair enough; but in the case of Polly and her girl friends of the same age, CPP gives a particularly tough assignment! In the national interest and for the specific purpose of low cost CPP pensions we discover a fascinating suspense story of sex and social security—Polly and her pals must each produce 4 live babies—and this in their "time off". Can they do it? Of course they can.

THE PENSION PLANNERS SAY SO.

I am puzzled as to why the Minister of Health and Welfare, herself a woman, discriminates against her own sex and favours the boys.

DISCOVERY

1. Canada, between now and 2050, will have a population rise to 155 million!

2. The ratio $\frac{\text{aged 65 and over,}}{\text{" 20-64}}$ pretty constant around 15%, and trending downward to 14% in 2050!

RESULTS of this DISCOVERY—LOW COST pensions
net rates for wage-related benefits only

1980	1.82% of contributory earnings
1985	2.54
1990	3.10
2000	3.55
2005–2025	3.29
2030–2045	3.51
2050	3.56

Now, a prerequisite for the success of any wage-related contributory plan is that contributions must become flat or decreasing after a reasonable passage of time, after inception of the plan.

The above rates pass this test, for from 2000 on they are "flat" at about 3.55%.

If, therefore, we have reasonable confidence in the assumptions underlying these rates, viz. mortality, immigration and fertility (and unemployment ratios), a plan based thereon can be said to be actuarially sound in concept.

SECOND EXCURSION

The second excursion is undertaken with timidity and general distrust! Canada's population increases to only 45 million by 2050, and there is, moreover, a shocking discovery of failure on the part of Canada's young womanhood! Their baby-production rate has fallen away off their previous proud record. The result is that the all-important ratio of the elderly to the active workers has doubled.

The result is high and almost continuously rising pension costs.

	Percentage of 65 and over to 20-64 span	Net Cost
1980	15.7%	1.97% of contributory earnings
1985	16.4	2.76
1990	17.8	3.44
2000	17.1	4.07
2005	16.1	4.02
2010	16.0	4.00
2015	17.4	4.27
2020	19.5	4.82
2025	21.7	5.42
2030	23.2	5.91
2035	24.5	6.28
2040	25.9	6.62
2045	27.5	7.01
2050	29.0	7.43

These rates fail the test outlined above. A plan based thereon is consequently actuarially unsound in concept.

What does the Actuarial Report say about these two sets of rates, which are so widely divergent?

"For the long term, since many elements entering the calculations cannot be predicted with any degree of confidence, the 2 sets of estimates were produced... within which range the actual cost might be expected to "fall".

So in Table 8 of the Actuarial Report, the average of these 2 sets of rates are set out as indicative of the pattern of rates to be expected under the Canada Pension Plan. These are gross rates including related benefits.

1980	3.14%	2020	5.22%
1985	3.74%	2025	5.55%
1990	4.33%	2030	5.74%
2000	4.59%	2035	5.92%
2005	4.44%	2040	6.13%
2010	4.55%	2045	6.39%
2015	4.82%	2050	6.61%

These rates show almost continuous increase. As a consequence, young entrants and their employers will at some future date be paying some multiple of the sum necessary to buy the same benefit in the open market.

Under these circumstances, a plan based on the foregoing rates will then collapse due to the revolt of new entrants.

Consequently, the Canada Pension Plan is obviously actuarially unsound.

My criticism is of the Canada Pension Plan and the Planners, but not of the highly-qualified actuaries whose assignment was to interpret mathematically the scheme of the Planners.

The professional integrity of the actuaries of the Report is evidenced by their repeated warnings in Appendix 1:

1. "Clearly, when short-term projections made in the past for periods of 10 to 20 years have often been wide of the mark, population estimates into the long-term future cannot be expected to reproduce the populations that actually develop."

2. They repeat their warning by quoting from a 1957 population projection in the United States: "previous estimates of future fertility have generally been to low. It seems clear that a decrease must eventually occur since the population cannot go on increasing indefinitely. If present fertility rates continued to the year 2050, the total United States population would be over a billion. The most important question is when a decline will begin and how rapid it will be."

3. Their third warning is very strong: "Fertility rates are even more unpredictable than mortality rates!"

From 1921 to 1937 fertility rates fell continuously, total drop 32%.

From 1937 to 1946 fertility rates rose continuously, total rise 35%.

From 1946 to 1960 fertility rates have been constant, a birthrate of 26—27 live births per 1,000 of population.

Obviously our legislators have not read the warnings in the Actuarial Report, otherwise they would be aware of these.

TRAGIC POSSIBILITIES

1. CPP's enacment will immediately begin to cause grave injury to our economy. Many pension plans will be cancelled. Accumulated savings thereunder, (presently $7 billion, + yearly contributions + interest), constitute a major part of the capital demanded if Canada is to continue its development.

   The cancellation of plans will place large sums in former participants' hands. This suggests a "spending spree" and while this will provide a temporary shot-in-the-arm for the consumer goods industry, at the same time it will lead to an enescapable reduction in the availability of investment capital...a stuttering economy... with increasing unemployment and probable, eventual depression.

2. The not-unlikely COLLAPSE of the CANADA PENSION PLAN, possibly 25 or 30 years hence, would have UNIMAGINABLE CONSEQUENCES and might inflict a MORTAL BLOW to our Free Society.

S. M. THOMPSON, F.S.A.
Toronto, Nov. 1963

ADDENDUM

Now for the promised short laboratory analysis of the present two-layer cake.

O.A.S.

The basic layer is—Old Age Security—the flat monthly allowance (currently $75) to all at age 70.

Before its enactment in 1952, 1 out of every 2 persons aged 70 or more required and received "needs-tested" government public assistance. No doubt many more required it but were too proud to ask for public charity. These are the bitter fruits of inflation.

But 10 years later, 1962, "means-tested assistance" had shrunk to the point where only 1 in 10 was receiving it . . . and with the latest addition to the benefit the ratio will go down again.

I think that all can now agree that O.A.S. is fulfilling its originally announced purpose, viz. to place such a floor under private savings, that they, together with O.A.S. will give the most adequate security possible for the greatest possible number of Canadians.

As a result, the addition of the CPP top layer is completely unnecessary . . . it will replace and ultimately destroy the 2 present sound layers, O.A.S. and P.P.P.

P.P.P.

Private Pension Plans are actuarially sound in concept. This is because each member and his employer together pay exactly for what he, the individual member, gets, assisted by a third member in the partnership named Compound Interest. For a young man or woman, aged 25 at entry into a private pension scheme which pensions at age 65, interest pays no less than 60% of the cost, assuming 4% interest, compounded yearly.

Meanwhile, these people and all their pals in the scheme may take some satisfaction in knowing that they are building the highways of Canada and the hospitals for victims of the highways; high-rise apartments and slum-clearance low-rental housing; pipe-lines and corset factories . . . the capital assets of our modern industrial and commercial complex on which our existence depends.

Some say that the Canada Pension Plan may adversely affect private pension fund accumulation of savings, I say this is a certainty!

Many workers immediately would become overpensioned. For example, those earning an average salary of $4,000 generally have company benefits of half salary as their pension benefit—many have a greater expectation. So their company pension is $2,000; O.A.S. adds $900 a year . . . but now CPP promises $1,200 more. Total pension $4,100 at age 70 . . . more than their average salary while working! This with the kids all educated and self-supporting and the pensioner's needs reduced to those of the wife and himself. He is obviously OVER-PENSIONED.

The obvious next step is to cancel the Company plan . . . CPP IS SO CHEAP!!!!! (The results of this development are covered under TRAGIC POSSIBILITIES.)

Insurance Management Review October 17, 1964

WEEKLY FORUM OF MANAGEMENT IDEAS FOR INSURANCE EXECUTIVES

PRIVATE INSURANCE AND PUBLIC RESPONSIBILITY

By Raymond Moley, Contributing Editor, *"Newsweek"*

This forthright discussion of the correlation of insurance and public responsibility is the substance of the first address in the series of Clarence Axman Lectures, sponsored by the Clarence Axman Educational Fund, administered by the College of Insurance of New York City. Mr. Moley presented this as the luncheon address this week Thursday at the annual meeting of the American Life Convention in Chicago. Mr. Moley is eminent as original "braintruster" for the F.D.R. administration in the black 1930s and as an editor and columnist with unusual perspective and understanding of the inter-relations of business, government and people.

I am not here to carry coals to Newcastle. I know insurance only from the outside as a client and an observer. I have not come here to tell you how to run your business. If I can serve any purpose, I can only comment upon the area in which private insurance and government meet and also, indirectly, upon the public which both private insurance and official life profess to serve.

I hardly need tell you of the vast degree to which government has intervened in the business of insurance during the past few years. This intervention has taken two forms—regulation on the one hand, and competition on the other.

If I were to list and comment upon the many forms of government regulation with which insurance must deal, I would exhaust my alloted time on that subject alone. For the laws and regulations, state and Federal, have gathered around your operations with some of the stubborn inevitability of virile ivy growing upon a strong and healthy tree. As this network has accumulated, you have found some sort of uneasy accommodation with it.

For regulation is an aspect of government which has grown and developed over the centuries. Methods have been measurably perfected to guide and, when necessary, to restrain private business. A degree of such regulation is essential if individual enterprise is to survive.

But a few basic principles are pertinent when any form of regulation is considered by official authority:

1. Regulation is best when the regulating authority is closest to the regulated business. In this instance state regulation is or should be preferred over any Federal intervention. State regulation has proved to be best suited to its purpose. And may the time never come when that province of the states is taken from them by a Federal bureaucracy.

2. In all government regulation the public interest is best served when government tells business what it cannot do, rather than telling it what it must do. The lurking danger is when a government, itching for power and blind to its own shortcomings, attempts to substitute its judgment for that of competitive business in matters which are within the province of management. Here government has no guidelines of experience.

3. And most of all, those who do the regulating must themselves really believe in the ideal of a free market. This has not always been true in recent years.

The Competitive Factor. But direct competition by government with a private business presents an entirely different problem. Here government has little or no experience to guide it. To be specific, government has its limits and defects when it enters into direct competition:

1. Government lacks the basic means to determine a fair price for its product. That means is the market-place.

2. The capital upon which a government business depends is the illimitable credit of the government and coercive taxation.

3. A government business lacks disciplinary accounting factors such as taxation. For this reason and others, the concept urged in the case of public utilities—government-operated business as a measuring rod serviceable in maintaining fair prices—is fraud and delusion. But, thank Providence, insurance has not yet been officially declared to be a public utility.

4. The management personnel in a government business will, except in most unusual cases, be inferior to that employed in a private business. For arbitrary bureaucratic standards will prevail which will inhibit men and women of unusual talent and ambition from entering government service.

5. The political atmosphere in which a government must operate is the deadly enemy to efficiency and economy. Witness if you will the difficulty encountered in eliminating obsolete and unnecessary military bases and shipyards.

6. In the field which concerns us here, personal aid and security, still greater handicaps face government. One of these is the semantic habit of politics in appropriating honored names such as insurance for programs which are nothing more than government welfare operations providing benefits, props, and other outlays for which there is little prepayment and slight regard for future costs.

A New Channel. Except for veterans' benefits, disaster assistance, and certain protections for government employees, the role of the Federal government in providing personal aid is relatively new. Much of what we have now originated in the great depression and its aftermath. Some of these programs were for emergency aid, and some were intended to provide means for some future economic calamity.

These measures and programs were undertaken by the Federal government initially for a number of reasons. One was genuine need for assistance to people who were in no way responsible for their distress. This gave rise to a widespread demand for personal security. Local and state governments found themselves unable to meet their traditional responsibilities. Private philanthropy felt the pinch of higher taxes and falling incomes. And finally politics discovered that welfare payments were a profitable means of winning votes.

Thus, Federal welfare programs which originated in a great emergency achieved a permanence which was never contemplated. And despite the flush of war and postwar prosperity, the number of welfare agencies increased, and the proportion of the Federal revenues allotted to them burgeoned.

The Dollar Measure. There are various ways of measuring this growth dollar-wise, depending upon what you call welfare. I have, however, with capable assistance attempted to calculate this change.

In 1935, before the initiation of the social security program, there were eight separate Federal welfare programs costing, in that year, $3.9 billion. Ten years later, in 1945, despite the addition of new veterans' benefits and the early social security grants, this amount fell to $3.3 billion. However, in the following ten years, despite prosperity, the sum rose more than fourfold to $13.6 billion. In the five years that followed, the pace quickened. In 1960 the outlays were $23.3 billion.

Since 1960, the fast pace which I have just mentioned broke into a mad run. Welfare outlays rose from 1960 to 1963 by 31%. The amount was $29.9 billion. In 1964 it rose by one and a half billion. And according to calculations which do not include the so-called war on poverty, the welfare costs will go up another billion and a half. If that is the price we are paying for political

welfare, it is easy to calculate what we shall pay in 1970 or 1980. That is, if medicare is not adopted. But if that is adopted, no one can tell.

In a very few years, however, the welfare budget will exceed the present military outlays plus atomic energy and space exploration. If we reach the moon meanwhile, the survivors of that trip will return to an entirely different nation from the one in which we are now living.

It is tempting to divert the course of these remarks to the concept of welfare as the major concern of the state—the welfare state. In learned books on that subject, mostly written in the past two decades in Britain, the objective is frankly stated as a plan to redistribute wealth. This, however, fails to take account of the fact that in the process of redistribution the wealth itself will decline. For as more and more are removed from productive work to support more and more to consume it, the well itself will dry up.

Defects and Perils. In December 1954 Louis W. Dawson, the president of the Life Insurance Association of America, delivered a notable address at the Association's annual meeting.

He recited in graphic detail the growth of welfare programs under the Federal government, laying especial emphasis on the social security system. He pointed to the defects in that system, the perils that lay ahead. He said:

"I am confident that, in this great country, we can all have real security, if we are willing to work for it and obtain it by stages that do not extravagantly pledge the future or disrupt the country's economy. But unless we guard against those dangers, we may go down in history as the generation which, instead of passing on a better and richer country to the next generation, as our forebears did, mortgaged the future of our children and grandchildren, to assure our own ease and comfort. The fact that we may have done it, not from malice or selfishness, but from ignorance or misguided generosity, will not mitigate the blame that future generations will heap upon us."

In conclusion he suggested that, while many studies had been made of various phases of the welfare picture, there was need of "a coordinated study of all phases of the problem, including its overall impact upon other elements of our economy." He said further that "In the present temper of the times we cannot turn the clock back. But it is not loo late to weigh future extensions in the light of our capacity to pay all those who enjoy the benefits."

I assume that he meant that the Federal government itself had an obligation to carry out such a reexamination of the programs it had created.

No Study Made. No such comprehensive study has been made, and I see no prospect that it will be made in the near future. I might say that any such study might well be so disturbing that the repercussions upon actual and prospective beneficiaries would be politically inexpedient. Or to take a more charitable view, government in both the Executive and Legislative branches is so busy finding new outlets for its generosity and in managing the mighty engine it has created that it cannot take time for a check-up. In this respect government is like the man who was told by his doctor to spend a week in the hospital for a thorough check-up. The man said he couldn't spare the time. He is dead.

Requiescat in pace.

Instead of time out for a check-up we have had, since Mr. Dawson made that address, five Congresses, and in every one of them we have had not only new welfare programs but the customary "broadening" of Social Security benefits. Over the years these extensions come in every election year. But in 1961 Congress threw in another as a bonus.

Social Security Growth. In the years since 1955 the expenditures in the Social Security system have risen above the total for veterans' benefits which,

up to that time, occupied first place. In the five-year period from 1955 to 1960, the social security outlays rose over 100%. Old Age Assistance, a separate program, rose five fold from 1945 to 1960. This program, originally designed to help the elderly who had no equity in social security, was expected, by most of those who helped to create it, to decline as more and more equity was accumulated by new entrants to the system.

In 1945 the government paid the sum of $267 million to OASI beneficiaries. Later there was added assistance to dependents, and so the name of the program became OASDI.

The comments which immediately follow refer only to this program. Railroad retirement and unemployment deserve quite different treatment.

For as we face the future, OASDI will more and more dominate the welfare picture. It will, if present intentions of the President and Congress prevail, be the tree upon which new programs will be attached. Therefore, we must look to the basic soundness of this tree, the equity provided for those who enjoy its shelter, the roots from which it gets its nourishment, and its general impact upon the free economy, with special concern for other, private agencies which are aimed at personal security and aid.

This subject is so vast that in discussing it one is likely to be overwhelmed by his materials. Therefore, I shall limit myself to answering three questions:

1. Is this system financially sound?

2. Does it fulfill the elementary requirements of justice and equity for those who contribute and those who receive its benefits?

3. Does its history justify the assumptions of those who contend that this government, or any government, is able to plan such programs for the long future?

An Analysis. The unfunded obligations of the OASDI as of January 1962 were $330 billion. This was more than the national debt of the United States. Large as this is, it is only a part of the total sum of fiscal obligations which this generation is passing on to the future. In May 1962 Senator Harry F. Byrd submitted on the Senate floor a compilation of the obligations and commitments of the United States government. These were his figures:

Current authority to obligate, such as appropriations, balances, etc., estimated only through fiscal year 1963, beginning July 1, 1962: $188 billion.

Outstanding Federal debt in Treasury securities etc., estimated as of the beginning of fiscal year 1963 on July 1, 1962: $296 billion.

Promises to pay under contingencies specifically fixed in existing law, such as Federal insurance in force, guaranteed loans, etc.: $338 billion.

Other—including such moral commitments as unfunded accrued liabilities of Federal trust funds, securities issued by Federal agencies in addition to the regular debt, etc.: $420 billion.

The sum total of these commitments and obligations amunted at that date to one trillion, two hundred and forty-two billion dollars.

It may be too inflammatory to say that the social security system is $330 billion "in the red." A better way to say it is that this is the amount by which the present worth of benefits for present members of the system exceeds the present worth of the taxes (plus trust funds) payable by them and their employers. Also, it should be pointed out that future entrants into the system (and their employers) must pay taxes that will be sufficient to pay for their benefits and also to pay an amount corresponding to approximately 3½% interest on $330 billion. And this must be paid for all time to come if future generations are to get their benefits. The actuary to the Committee on Ways and Means, on the costs of the bill which was passed by the Senate and which died in conference, said this: "Under the Senate-passed bill it could not be said that the system would be actuarially sound."

Medicare, Too. If medicare in the form passed by the Senate and now made an issue by the President in the campaign were added, it would be probable that there would be added to the $330 billion present unfunded obligations $75 billion to $100 billion more.

A conservative way of viewing this is that these vast liabilities will be met only if future generations are willing and able to pay the excessive taxes which will be necessary.

While a series of increases in the tax on employer and employee enables the government to claim a balance between income and outgo at the moment, there are serious misgivings about further tax increases to meet increasing benefits in number and amount. Ten per cent has been regarded as the danger point.

Moreover, the assumption of continuing actuarial balance is founded upon many unpredictable factors such as a high rate of employment, rising population, increasing longevity, inflationary trends, and political pressures.

I have always had and still have grave misgivings about calling the reserves in the system "trust funds." For this reserve was created by purchasing government securities with the money in excess of benefits. I shall not, however, argue my case here at this time.

Basis for Study. W. Rulon Williamson, whom many of you know as a veteran actuary who spent many years with the Travelers and after that as actuary for the social security system, has suggested to me a rather neat analysis of the finances of the system, based upon the first fat seven years of the system and the last lean years.

During the first seven years, 1937 through 1943, the taxes yielded something like $5 billion. The benefits paid were $450 million. The trust fund grew to $4.8 billion. In the years 1957 through 1963 the taxes yielded $71 billion, and the benefits were $77 billion. Thus, the taxes collected grew 14 fold while the benefits grew 174 fold.

The foregoing are some of the points against the claimed fiscal and actuarial soundness of the system. To sum up, it will be just as sound as those who pay taxes and as those who impose those taxes are willing to impose the growing burdens which will be involved.

But if in the imposition of those burdens the inequities in the system become more and more apparent to those who participate in the system and pay the taxes, there will be very serious trouble indeed.

There are wide disparities in the benefits paid to individual recipients. Many are receiving benefits which can be justified neither on the basis of need nor of what their contributions have earned. I shall briefly cite some of these inequities:

A. The proposal to impose medicare upon the system is in reality the substitution of services for income. This is a denial of free choice. The government would in effect be telling a free people that they are not fit to choose the purposes for which they spend their income.

B. The absolute necessity that the government's annual revenue from social security taxes be at least equal to the benefits paid means that those coming into the working force now and in the future must pay more and more than those who paid in the past, to receive substantially the same benefits. And the periodical increases in the benefits by congressional amendments only theoretically can keep pace with the trend of inflation.

C. The use of the good word "insurance" is a gigantic hoax. For none of the requirements implied in insurance are present in the system as it stands. There are virtually no valid reserves to represent the participants' equities. There is no contractual obligations such as exists in a private insurance policy.

Those who expect that the benign pattern of a government which since 1945 has bestowed more and more benefits on more and more people will continue

forever must bear in mind what might happen in a different economic and political climate. I can imagine some future economic crisis or some radical political upheaval in which these so-called moral obligations would be treated not merely as scraps of paper but as figments of political promises that cannot be kept. The whole contraption might be leveled and instead, without consideration of the equitable claims of those who have paid taxes, new legislation might be enacted to extinguish benefits entirely and instead provide only a dole for the needy aged. We must always keep in mind that a new regime can cancel out all obligations incurred by its predecessors.

A quarter of a century ago in a brilliant book, "The Promises Men Live By," Harry Scherman discusses with a wealth of historical detail how government promises compare in reliability with those of individuals. He says:

"The first of these considerations, honesty...plays so slight a role in the half-exchanges of government that it can be ignored, except in philosophical speculations. The cold fact is that men acting together in a community, large or small, are just as dishonest, just as unscrupulous in breaking their promises, as they dare to be at any one time. Governments always, small or large, will get away with what they can, up to the point at which the supremacy of the ruling power is endangered. No such thing as personal integrity, the satisfaction of being reliable, the shame of betraying faith, appear other than microscopically in goverment economics."

A century and a half earlier Adam Smith said that "Like an improvident spendthrift whose pressing occasions will not allow him to wait for the regular payment of his revenue, the State is in the constant practice of borrowing from its own factors and agents, and of paying interest for the use of its own money."

And that old Scotchman might say now, if he could witness the financial affairs of the social security system, that our modern successors of the kings and princes he knew so well have improved upon all the examples of the past.

D. Under the medicare proposal, employees who are "covered" by social security would be burdened with a considerably increased tax to pay for what is called a "social (or national) need"—i.e., hospitalization and other services for people over 65. If this is a "social" need, it should be paid by all, not by some of the nation's taxpayers.

E. Under the medicare proposal, employees would be compelled to pay for free services for everyone over 65 when it is apparent from the uncontested figures presented to the Ways and Means Committee that only about half the eligibles need the help.

F. For every employee who pays, the employer also pays. This employers' tax is mostly passed on in the price of the product. Thus, the employees are also paying in considerable part the employers' tax in the prices of the things they buy.

G. But since for competitive reasons some employers cannot raise prices, there would be great pressure on employers to eliminate jobs and thus increase unemployment.

H. R. J. Myers, Chief Actuary of the Social Security Administration, is quoted in the minority report of the Ways and Means Committee on the 1964 House bill:

"For those now on the rolls, it is likely that they would have paid, at most for about 10 per cent of the benefits actually payable to them." The fact is that people retiring today have by no means "purchased" their benefits. To cite a hypothetical case, a man with wife of the same age who retires in 1964 will have paid into the system since 1937 $3,516. He will receive a benefit expectancy of $32,000.

I. A somewhat different approach to the inequity of the system was pointed out in 1961 by Ray M. Peterson of the Equitable Life Assurance Society. He said that because of the growing debt "employee and employer taxes with respect to the average new entrant will always exceed the value of the benefits (such) a new member will receive...Today, the average new self-employed person is paying 20% more than the value of his benefits. The taxes payable by and in respect of the new entrant must forever be greater in value than the value of the benefits that the new member will receive. The price of social adequacy is perpetual individual inequity...

"Will an employer ask a private insurance company whether he can obtain larger benefits for new employees with the same joint employer-employee contributions? If he should ask me, this is what I would have to say. 'About 80% of joint employee-employer taxes involving your new employees is for old-age benefits for the employee, his wife or widow. The remaining 20% is for survivor and disability benefits before retirement. Depending upon the marital status and the sex of your new employees and the rate of earnings, this 80% of taxes would buy under an Equitable group annuity contract, at our present rates, 40% to 60% more in old-age benefits than are provided under the OASI system.'"

A Den of Inequities. This long list of inequities will ultimately raise what Ray Peterson has so aptly called "a din of inequities." For you can't fool even some of the people forever. The millions of people who are being exploited in this lopsided system of taxation will learn that they are at the little end of the horn of plenty and will clamor not for a relief from their servitude but for some equalizing system of benefits. And you may be sure that their outcries will be eagerly exploited by politicians. The result will be more benefits all along the line without any real overhauling of the system itself. Thus the system carries within itself the seeds of its own growth and its own badly adjusted scale of values.

My third general observation on the Social Security system is a comment on the whole concept of government planning for the future. Mr. Williamson, who I have already mentioned and identified, has supplied me with some comparisons between the figures anticipated by the government at the inception or during the early years of its operations and the actual figures which emerged later.

In 1962, the 26th year after the beginning, the actual income was four times what was expected, but the annual outgo was eight times what was anticipated. The actual ratio of interest receipts to tax receipts was four per cent instead of the 45 per cent expected. This was less than one-tenth of expectation. The increase in trust funds for the year 1962 was minus 1.4 billion instead of the plus 1.3 billion expected.

Thirty years ago and since, there has been a great hullabaloo about economic planning by government. As I have already said, government cannot plan an economic system because it hasn't the talent and it hasn't the marketplace to text its information. These Williamson figures, are ample evidence of this inexorable fact.

Other "Aids." I have now reviewed in a general way the role of the Federal government in what is called welfare, with special emphasis upon the social security system. On the one hand, we have a miscellaneous collection of programs, mostly in the nature of personal aid, paid out of general revenue, and, theoretically at least, annually reviewed by committees of Congress. On the other, we have the social security system, supported by a tax on employer and employee alike, with benefits paid to eligible individuals as a matter of routine. There is a distinction here which is not an essential difference. For in neither case are the obligations contractual; they have none of the characteristics of real insurance, and both can be classed as welfare.

My purpose now is to stand off and view these as methods of personal aid generally, the problem that is presented as a matter of national and social policy, the moral considerations involved, and the impact of these outlays upon the character of the American people.

I can make my points more simply if we consider the prospective beneficiaries as composed of two categories, which I shall designate as Group A and Group B.

Group A, consists of individuals who have really tried to be self-sustaining and responsible, but who for reasons beyond their control have encountered misfortune.

Group B are met with misfortune because they have invited it. They have done those things which they should not have done and have left undone those things which they ought to have done. These are the irresponsible needy.

Group A qualifies for government aid as a matter of justice, or, if you will, social justice. Group B qualifies on the basis of compassionate charity, although this word "charity," sanctified over the ages, has now been outlawed in some of our states.

Distinction Made. Sound government policy should observe a distinction in the nature of the aid given, to the members of these two groups.

Aid to Group A is justified. Society, or in the context of our discussion here, government has a responsibility because in many instances society generally or industrial change, or physical misfortune is responsible for the misfortune. Also, as the philosophy of sound private welfare has conceived it, the help given is in the nature of ultimately making these people once more self-sustaining. The narcotic of help is withdrawn as the patient recovers. There is a certain stability in Group A. The law of averages and chance decree that if the help given is wise and far-sighted, the relative number of the people in Group A remains about the same from year to year.

So far as Group B is concerned, the help is given, or should be given, sparingly, not because society is responsible for the misfortune but (and this may seem hard doctrine) because society wants to protect itself, to prevent a festering element which might well undermine the security and well-being of the nation. A blot, as it were, on the community, imperiling its safety and security, and, for lack of a better word, public attractiveness. Well-ordered communities seek to keep beggars off the streets because they are a nuisance and an unsightly item on the landscape. The housewife gives food to the able-bodied tramp because she wants to get him out of town and out of sight, and also because she is afraid of potential reprisals if he is denied. Perhaps in dealing with Group B an element of morality enters the picture. For the Lord, it is said, is kind to spivs and drones, and we are all supposed to be doing the Lord's work.

To keep this distinction in mind should be a central concern of statesmanship, legislators and executives vested with the power of government. Their problem, our problem as citizens, is to see that our welfare efforts do not encourage the enlargement. Sound policy demands that Group B be not enlarged by encouraging the belief that self-help is unimportant, that indiscriminate aid will be given to the worthy and unworthy alike.

There are four factors, however, which in the case of Federal aid tend to enlarge Group B:

1. Federal help is administered by a vast bureaucracy, the center of which is far removed from those who receive the benefits. And even when such a bureaucracy operates through field agents and agencies, it is under directives which permit little discretion. The operation is hard, machine-like, impersonal. Even when, as is suggested as a corrective for this, Federal money is allocated

for state and local distribution, those who administer the aid are less concerned with economy and efficiency when Uncle Sam is paying the bill. The easy way is indiscrimate help when any government at any level is involved.

2. In the past half century, a sociological concept has gained wide acceptance that all individual failures are created by environment. This materialistic interpretation of human motivation has been assiduously taught in academic life and has well permeated the ranks of social "engineers." It is also a convenient tool in politics, as has been evidenced in the campaign for medicare. We are taught that a needs test is degrading, a "pauper's oath." A false intellectualism has cancelled out self-help and personal responsibility.

3. Politics considers one vote to be as good as another. It also thrives on the fact that the irresponsible are also easily managed. They are subservient to political influences.

4. Finally, we have the frail nature of man himself. Self-help is a fragile virtue. Life for many is far pleasanter when there is freedom from any consideration of future contingencies and need. The pressure to live for and in the present is very strong.

The larger that Group B grows, the smaller the number who must bear the burden of support. With smaller numbers producing national wealth, the greater the demands upon our national income, with rising outlays which can have no return in added production. And since an element of injustice is involved in indiscriminate aid which people close by can see, the greater the pressure on presently responsible workers to give up the struggle.

Federal welfare programs have conspired to that deplorable end. And no system which gives indiscriminate help can long escape disintegration, decay, and chaos.

Moreover, the penalty is paid also in the decay of political institutions. For the history of past civilizations tells us that a dependent citizenry lends itself to the malign designs of demagogues and dictators.

No Lack of Warning. There has been no lack of warning about the peril which is inherent in even as strong a democracy as ours. One hundred and thirty years ago, Tocqueville, a sympathetic observer of American democracy, said that we need not fear "tyrants" but "guardians." Under a government concerned only with welfare, he said, its people are reduced to nothing better than timid animals, with the government their shepherd.

There is an old French saying that the stairways of time are forever echoing with the sound of wooden shoes going up and patent leather boots coming down. It is obvious that most parents have the inclination to overindulge their children. But when the government itself conspires to follow the example of the misguided parent through a political policy on a national scale, the children of the poor as well as of the rich are made the victims.

These moral consequences are foremost among the counts against the ethic which through politics has become national policy. We may dissipate our material substance by waste at home and profligacy abroad. We may lose that respect among the nations which Americans earned when our power was but a fraction of what it is now. These losses would be recoverable under a government with different ideals.

But if in the course of protracted experiments our strong individual fiber and character are impaired, the loss is total, irrecoverable, absolute.

Should Tell the Facts. I hesitate to leave these remarks on this grim note.

I am addressing today members of an enterprise which over the years has been the very home of responsible management and concern for the society of which it is the servant and an integral part. It has repeatedly and consistently in its emphasis upon thrift, foresight, and responsibility contributed

mightily to the end that the disastrous moral consequences that I have described might not be visited upon this nation. Insurance companies and their great army of agents constitutes a powerful educational force reaching into every corner of the nation and into every level of society. The confidence of the American people is evidenced by the vast number which has entrusted its savings into your hands.

Specifically, I suggest that this educational potential be directed not just toward the appeal to individuals to protect themselves, but that it should also provide in greater measure the essential facts which bear upon the protection and security of the nation.

This does not mean that it is an industry's business to enter the political and ideological struggle. We need a vast crusade for the strengthening of the virtues of self-help and also responsibility for looking to the fiscal and moral security of the nation. This is a quite proper, legal and essential function of what we call public relations.

Finally, I recall to your minds the suggestion made ten years ago for a broad and impartial examination of government welfare generally and the Social Security system in particular. We need something more than the hurried efforts of Congressional committees to review government welfare. What is needed is a panel of distinguished and non-political Americans for a check-up before it is too late. The postponement of the 1964 bills enlarging social security has provided a breathing space. After the election there will be less insistence upon shouting the pros and the cons in this subject from the soap boxes of the nation. Let us have the delineation of sound and understandable facts from an unimpeachable source. And the insurance industry, with other respected and powerful forces, can promote the necessity for such a survey. This, it seems to me, is an order of business for which there is an imperative need.

(Meetings held during adjournment of the House)
(As of January 12)

MINUTES OF PROCEEDINGS

WEDNESDAY, January 13, 1965
(22)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 10:30 o'clock a.m. this day. The Joint Chairman of the House of Commons section, Mr Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Boucher, Croll, Fergusson, Lefrançois, McCutcheon, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh (8).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Côté (*Longueuil*), Francis, Gray, Gundlock, Howe (*Wellington-Huron*), Knowles, Laverdière, Leboe, Lloyd, Monteith, Morison, Munro, Prittie, Rhéaume (21).

In attendance: Mr. H. L. Sharpe, President and Managing Director, The Northern Life Assurance Company of Canada, London, Ontario, and President, The Canadian Life Insurance Officers Association; Mr. M. K. Kenny, President, The Excelsior Life Insurance Company, Toronto, and First Vice-President of the Association; Mr. B. T. Holmes, Vice-President and Chief Actuary, Confederation Life Association, Toronto, and Chairman of Association's Old Age Security Committee; Mr. D. E. Kilgour, President, The Great-West Life Assurance Company, Winnipeg; Mr. G. R. Berry, Vice-President and General Manager, Metropolitan Life Insurance Company, Ottawa; Mr. G. E. Brown, Senior Vice-President, Sun Life Assurance Company of Canada, Montreal; Mr. J. M. Linnell, Group Manager, The Standard Life Assurance Company, Montreal; Mr. J. W. Popkin, Economist, Sun Life Assurance Company of Canada, Montreal; Mr. J. L. Clare, Assistant Group Actuary, Confederation Life Association, Toronto; Mr. J. A. Tuck, Q.C., Managing Director and General Counsel, The Canadian Life Insurance Officers Association, and Mr. F. C. Dimock, Secretary of the Canadian Life Insurance Officers Association; and Mr. R. A. Nix, Actuary; and also Mr. J. E. Osborne, Technical Adviser to this Committee.

The Committee resumed its questioning of the witnesses.

It was agreed unanimously that a document intituled "1961 Average Incomes of Non-Farm Individuals" be filed with the Committee.

And the examination of the witnesses continuing, the Committee adjourned at 12:30 o'clock p.m. until 2:30 o'clock p.m. this day.

21738—1½

AFTERNOON SITTING

(23)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reconvened at 2:30 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Croll, Denis, Fergusson, Lefrançois, McCutcheon, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh (8).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Côté (*Longueuil*), Francis, Gray, Howe (*Wellington-Huron*), Knowles, Laverdière, Leboe, Lloyd, Macaluso, Monteith, Morison, Munro, Perron, Prittie, Rhéaume (22).

In attendance: The same as at this morning's sitting, and also Mr. G. N. Watson, F.S.A.

The Committee resumed its questioning of the witnesses from the Canadian Life Insurance Officers Association.

Their examination being completed, the Chairman thanked them and a vote of thanks and appreciation was extended to the delegation on motion of Mr. Munro, seconded by Mr. Monteith and agreed unanimously. The witnesses retired.

Then Mr. G. N. Watson, F.S.A., was called and examined.

The Committee agreed unanimously to print as appendices to this day's Minutes of Proceedings and Evidence, the following briefs by;

(1) Mr. G. N. Watson, F.S.A. (*See Appendix A5*),

(2) Professor Donald C. MacGregor. (*See Appendix A6*).

His examination being completed, Mr. Watson retired after the Chairman had thanked him for his contribution to the deliberations of the Committee.

And on motion of Mr. Munro, seconded by Mr. Lloyd, it was agreed unanimously that a vote of thanks be extended to Mr. Watson.

At 5:13 o'clock p.m. the Committee adjourned until 10:00 o'clock a.m. on Thursday, January 14, 1965.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

WEDNESDAY, January 13, 1965

The CHAIRMAN (*Mr. Cameron*): We have a quorum, ladies and gentlemen, and I think we might as well get under way as quickly as we can. There are no announcements to be made that I know of according to the memorandum in my hand. Mr. Cashin wants to ask a supplementary question, and Mr. Knowles wants to ask one. Then we have Mr. Monteith, Mr. Cantelon, Mr. Côté (*Longueuil*), Mr. Leboe, Mr. Macaluso, and Mr. Morison. This is still the first round.

Mr. MONTEITH: Yes, this is still the first round?

The CHAIRMAN (*Mr. Cameron*): Yes, we are still on the first round.

Mr. CASHIN: I would like to continue asking the line of questions I was concerned with when I was interrupted last night in order to permit a supplementary question by someone else. I shall try to be reasonably brief. I am interested in the association's dismissal of the Canada pension plan and supplementary benefit in paragraph 70 by likening it to a retirement benefit. Are you not aware that the formula for supplementary benefits is quite different from that for retirement benefits, and with the rate or basis of those benefits? If not, why is it implied that supplementary benefits are tied to the earnings record, if there is a directly proportionate relationship between such benefits and earnings?

Mr. B. T. HOLMES (*Chairman of Old Age Security Committee, the Canadian Life Insurance Officers Association*): The association is quite aware of the flat benefit portion of these benefits. Ever since, I think 1958, with the old age security, we have been suggesting to the government in the first instance through Dr. Clark that there should be an effort to extend the uniform benefit into this area. We are pointing out, as we do point out in the Canada pension plan addition to the old age security plan, that an income related plan does have these drawbacks to which we refer.

Mr. CASHIN: Yes, but once again I do not know to what end you are talking. You are separating the two completely. I think we have to treat them as one: the earnings related portion and the insurance portion of social security. When it suits your purpose you go the other way in everything, and you ride a horse in the opposite direction, such as when we talked about bonuses last evening. You talked about them in the realm of the part that is insurance, but you cannot have insurance with social security if you do not have benefits.

If I should die tomorrow, the senator will have subsidized me. If he has paid in his pension for 35, and if I died, then I would have been subsidized. I think I have proved my question. What is the point of all this? We look to people who have been involved in this business and are coming before us, and when you say that other countries have done this sort of thing, we say that there are many people in this country who do not have such a direct interest in the profit and loss aspect of it as you do yourselves, who want this sort of thing. But why can we not talk about it with a little more feeling, believing that you people are just as interested in the welfare of Canadians as we are?

Mr. D. E. KILGOUR (*President, The Great-West Life Assurance Company, Winnipeg*): I think we are, and if there is any misunderstanding, it is an intentional one. As I see it, this bill constitutes—we use the word welfare plan,

because we speak of welfare benefits to employees of a firm covering the whole range in regard to death benefits, disability benefits and all these things that we speak of as welfare benefits. This plan sets out to raise $600 million a year, and then to re-allocate it among Canadians in a manner described in the bill. The main burden of our brief is that after examining this redistribution, we do not think it is the kind of distribution that Canadian people can live with. When you refer to too much going in the way of pension benefits to those in the higher salary group, we think that is one marked inequity; and similarly in the case of death and disability and supplementary benefits, it will be exactly the same.

Suppose a man who is earning over $5,000 a year is killed in an accident. His wife and children may draw benefits of $168 a month. But should a man be killed in the same accident who is unemployed and not a contributor, then his widow will get nothing. We suggest that this is a very harsh distribution of the total welfare moneys available under the provisions of this bill, and that there could be a better plan to give more to more people who need it, then by this distinction of being in or out, or being over $5,000 so that we may get the maximum benefit. What we are trying to do is to suggest a different distribution of this fund among Canadians, since we have had considerable experience in this field.

Mr. CASHIN: How can you in one breath reject the plan and then accept it in any kind of serious way, in your individual objection to the plan? For example, we went back last night to about a ten year maturity period. Surely if you do not extend the basis or principle of the plan, then any dicussion about it becomes superfluous.

Mr. HOLMES: I would like to make a three fold answer, if I may.

The CHAIRMAN (*Mr. Cameron*): All right, Mr. Holmes, go ahead.

Mr. HOLMES: Surely the committee realizes that we are saying to them that there should be a better approach to the addition to the present old age security plan. For a matter of six or seven years, we have been advocating an addition in this area through an addition to the uniform benefit plan. We are quite well aware that speeches have been made suggesting that people around Kapuskasing and on marginal prairie farms and in the outports may be wallowing in luxury on old age security benefits. There has been that suggestion. We would like to call the attention of the committee to three facts about the general position. We think it would be fair for Canadians as a whole if parliament approaches the question on the basis of seeing what can be done and extending the uniform benefit plan.

First of all, the bureau of statistics figures show that old people over 65 living in what are classified as urban areas, that is, groups of 1,000, 10,000 and 100,000, and a million, are 70 per cent of our old people, and that that figure has increased between the last two censuses by 7 per cent. It seems fairly certain that by the end of this decade the number of old people in urban centres where they have a public water supply, public sewage disposal system, wil be in this class of 75 to 80 per cent. We think this is good. But what about this 30 per cent dropping to 20 per cent who are on the outskirts of our industrial civilization? Some of us are a little familiar, it may be, with the outports or marginal prairie farms, and with some of the rural areas of Ontario. We know something about conditions. We know that their cash income is not too great. You may grow your own food or catch it; you may repair your own house or barns, you may get water from your own well and clean out your own backhouse. But now when you are 70, it is not so easy to catch or grow your own food, repair your own house, fetch water from your own well, or clean out your own backhouse.

When we were young, young people would help out, yes. But young people today are going to the cities. There are many people from the outports of Newfoundland who are working in our factories and offices right here in Ontario. It is not so easy. What are we going to do, the aged say to themselves. Are we going to finish our battle here in the sticks, or hop off to the nearest town? We think that the people in this condition merit your consideration. And one final thing—and I am back to statistics now—I think I have given a reasonably fair description of people in the difficult areas with not too much cash income as in rural Ontario. But one final thing; I did give the committee a figure from the bureau of statistics yesterday for Canada as a whole indicating that urban dwellers in the retirement ages of 65 and over—the 70 per cent running up to 80 per cent—were living on an average income 43 per cent less than that of persons of working age; whereas the people over age 65 in these marginal non-urban non-farm areas seem to be on an average income 52 per cent less than that of persons of working age in those areas. I look at Newfoundland and the question of the outports. Are these people being too well treated? Very well. But the information so far suggests just the opposite. In Newfoundland the average income for persons in urban areas aged 15 to 64 is $2,900. For 65 and over, it is $1,400. This is a drop of about 50 per cent.

Mr. FRANCIS: Are these for the heads of families, or for personal income?

Mr. HOLMES: I will have to get you the table. We can furnish you with the table. Once again, I am in Mr. Kilgour's position; I will have to get the exact information. Perhaps Mr. Dimock will give the source when I am through.

All we say is that this is the information we have at the minute. We wish the committee would ask the Dominion Bureau of Statistics and see what is the situation.

In the rural non-farm areas of Newfoundland the income for those of 15 to 64 was $1,740 and for those of 65 and over—and this includes the old age security—in 1961 was $846, again a drop of 51 per cent.

We think that if the two retired groups are living on half the average income of the working people, the older people in the lower income areas probably need some additional consideration.

Mr. F. C. DIMOCK (*Secretary, C.L.I.O.A.*): These are average incomes of non-farm individuals.

Mr. FRANCIS: This will be for heads of families and not average per capita income?

Mr. DIMOCK: No, this is non-farm individual income.

Mr. HOLMES: Have you the exact table?

Mr. FRANCIS: It is not per capita income?

Mr. DIMOCK: It is Bulletin No. 4—4.1 of the 1961 census.

Mr. HOLMES: We will give you the information, and we are sure this committee will check with the Dominion Bureau of Statistics.

Mr. DIMOCK: I can file the table.

The CHAIRMAN (*Mr. Cameron*): Do you want it filed, Mr. Francis?

Mr. FRANCIS: Yes.

Mr. CASHIN: As I said yesterday, you confuse the problem of security with the problem of low income groups generally. It remains as a fact, despite what you have said, that the people under this arrangement with the Canada pension plan and old age security receive in their retirement years a higher proportion as a pension in relation to their lifetime income. The problem with these people is to have them more productive so they can earn a higher income. I think we

should so arrange it in this land of plenty, where we cannot tolerate much longer a situation in which these conditions exist, and aim toward the day when these people will be more productive, because the private insurance companies obviously can do nothing for them.

Mr. HOLMES: You are asking me a question and I do have a reply to this question.

Again, we call the attention of the committee to the fact that you have at the present old people in the outports, and around Kapuskasing and around the prairie farms who are a part of the Canadian community. Their sons and daughters have moved in—as Canada wishes them to, I think, to some extent—to the towns and the cities. We are quite certain that their sons will marry our daughters if Canada continues to be the sort of country it has been, and their daughters will marry our sons. They are a part of the community, and we think they should be considered by this committee along with all other parts of the community.

Mr. CASHIN: The opposite of that must hold true too, because we do not consider the others then. However, I would like to draw to your attention the fact that Newfoundland has the highest natural increase of population of any part of Canada; and the only conclusion one can come to is that the proportion of the population emigrating from Newfoundland to the cities is very low. People are continuing to live in Newfoundland; and they are continuing to live a better life in Newfoundland.

Mr. AIKEN: Mr. Chairman, I would like at this point to raise a question of order.

Yesterday you gave me the privilege of starting off the questions, and you asked each member to restrict his line of argument to five or ten minutes, which I believe I did. I think a good many of the other members have also done so. We have several hon. members here who have not even had the chance to ask one question yet; some members of the committee have dominated it both yesterday and today. I think we should in conscience give some of the other members of the committee a chance to ask at least one question.

The CHAIRMAN (*Mr. Cameron*): I was going to reach that point right away, Mr. Aiken. I think Mr. Cashin has had a very fair opportunity. I will let him ask just one more question. I have the schedule in front of me, and I think I will be able to see that everyone has a fair and full opportunity of asking questions.

Mr. CASHIN: I would like to ask why you did not provide supporting figures for page 7.

Why is there no date attached to chart I?

Is it correct that chart I applies to the year 1976 or later?

Has your association projected both the gross national product and the total population of Canada and the United States for the next ten years?

Has it been assumed for the case of the United States as well as for Canada that the husband and wife are of the same age?

Is your association aware that the average age of wives is generally two or three years less than the average age of husbands?

The CHAIRMAN (*Mr. Cameron*): That is a series of questions, Mr. Cashin.

Mr. CHATTERTON: And all well prepared.

Mr. LEBOE: Perhaps Mr. Cashin could file the questions for later reply.

Mr. CASHIN: On this whole business of questioning, Mr. Chairman, I would like to say that we should not just take into consideration the instance of one meeting of a committee. I have been a fairly silent member of this committee for about a month. If you care to look at the total of the questions asked in a

month you will certainly see that I have been quite silent in comparison with Mr. Aiken, Mr. Monteith and Senator McCutcheon.

Mr. AIKEN: You have made up for it today.

The CHAIRMAN (*Mr. Cameron*): We have had a discussion of the steering committee and it has generally been understood that each questioner, in fairness to others wanting to ask questions, should try to confine himself to a maximum of five minutes and then, if he does not get all his questions asked in the five minutes, he would have an opportunity to carry on in a second round. Some members have been longer than that, but that is my fault as Chairman for not calling it to your attention.

Can you supply Mr. Cashin later on with the answers to this series of questions, Mr. Holmes?

Mr. DIMOCK: I would be prepared to answer them, but I would appreciate it if Mr. Cashin would read them back one at a time.

The CHAIRMAN (*Mr. Cameron*): I think we will wait until Mr. Cashin comes up on the second round.

Mr. CASHIN: I will defer to the wishes of the committee. The questions are on the record.

The CHAIRMAN (*Mr. Cameron*): I have on my list Mr. Knowles for a supplementary question, and then he is listed again for the second round.

Mr. KNOWLES: I believe this is a supplementary question; stop me if it is not.

The purpose of the supplementary question is to try to see if we can understand the difference in approach between the position taken by the delegation and the position represented in Bill No. C-136. I would like to get at it in this way. Let us suppose we were to accept the recommendation of your brief; what would be our position? As I see it, we would discard the present Bill No. C-136 and, instead, we would make certain amendments to the Old Age Security Act and consider certain other changes as well.

Is it not a fact that as a result of accepting your proposals we would then be in the position that we would have improved the basic pension position of people between 60 and 70 but that we would not have improved—would not have changed at all—the pension position of those over 70? I recognize that you suggest in paragraphs 67, 68, 69 and 70, and so on, certain other matters that might be considered, but does it not all add up to the fact that your approach, as life insurance people, is that government should concern itself only with providing a minimum floor of security, whereas the approach of this bill suggests that we want to start providing more adequate security? And that is basically the difference between having only a flat rate program and having a flat rate program plus an earnings related program.

Lest you think I am implying something, let me lay it on the table right away so there is no secret about it. It does look to me a little as though you in the life insurance industry want government to provide the basic minimal pension arrangements, but you want to leave to private arrangements the supplementary pensions or the kinds of pension that bring things up to a level of adequacy. This is not the time to argue, Mr. Chairman, and my position is pretty well known, but is that not getting at an understanding of the difference between us?

Mr. HOLMES: No. It is not the difference between us, by the way; it is the difference between our recommendation in this brief and Bill No. C-136, as you said originally.

Mr. KNOWLES: That is what I mean.

Mr. HOLMES: We do call your attention to the fact that the reason we have only suggested a study of the area over age 70 is that we do not feel the informa-

tion we have, while it suggests things to us, is adequate enough to move on. However, we are quite satisfied that this committee could very quickly secure information from the dominion bureau of statistics to form a judgment. I was asked last night for our views about the amount, and I must give the same answer that I am sure the record of 1950 will show was given by us at that time. We did not feel it was our office to recommend the actual amount but that it was the function of parliament, with advice received from different directions, to try to balance what they thought the community should do for the older people as a community effort against the cost to the community.

We are all part of the same working force in the community. We would regard the main difference in principle not the actual amount, which we feel is something which parliament ultimately must take responsibility for, that is, balancing the needs of the older people, considering what they have been able to do for themselves through their own efforts, and what the working people are prepared to do by way of community effort. But, we would regard the main difference of principle whether Canada in approaching this problem has examined the problem of everyone in the community and, at least, considered them all on one basis until such time as it has very strong reasons to feel that some should be treated better than others; or whether Canada will start out on a new course which we view with great concern, when we look into our own extensive family relationship and business relationship, and consider how this proposal affects people that we know.

Mr. KNOWLES: I think I can say that we are understanding each other now even though we may differ. I note that you have me down for the second round but I still have one question to put at the present time. Is it not still a fact that if we did accept your proposals we would have made certain improvements in the age 60 to 70 group and in doing so we would have raised and redistributed $300 million or $400 million, but we still would have with us as a parliamentary committee, or as parliament, the problem of trying to provide adequate pensions, and I use that word implying that I do not think $75 a month is the amount of pension that we should be settling for in terms of the cost of living today. Would we not have to devise some other legislation to meet that problem?

Mr. HOLMES: We would have thought the general avenue of this legislation or this legislation amended is the fair method of trying to deal with the problem. We tried to say that we realize this is the responsibility of parliament and, indeed, a very difficult responsibility of parliament. But, we do not think we can get away from it by promising very large benefits in the future to a part of the community; we have to look at the community as a whole, face what the cost is of doing whatever we are considering doing in the community as a whole, and I am sure this is a very difficult responsibility of parliament. They would have to balance the one against the other.

Mr. KNOWLES: But you would support substantial increases.

Mr. HOLMES: In that connection we have said we think you must obtain additional information. We have given you what we think is a fair comparison, which seems to indicate that Canada's treatment of the aged compared with, let us say, the people with whom we are in greatest contact and with whom we do most of our trading, is better than what is going on in the United States and the United Kingdom as far as the amount of benefit is concerned. There may be some disagreement in this connection, but you can acquire that information. On the other hand, we recognize there are reports indicating that old people in Canada are having considerable difficulty with the present benefits.

Mr. KILGOUR: Mr. Chairman, if I could speak in response to Mr. Knowles' question. I think, Mr. Knowles, your analysis was quite accurate.

The proposed Canada pension plan will allocate $600 million a year to commitments to the working population under, let us say, age 65. The problem of the present old people, the problem of the present widows, still remains to be solved by parliament. So, under the proposed Canada pension plan this business of raising basic incomes and the suggestion of $370 million a year is only a partial answer to the question. But, this bill spends $600 million a year in future promises or commitments.

Hon. Mr. McCutcheon: The word "promise" is the better word.

Mr. Kilgour: Now, if we have a problem, as we think we do, that we have many people in the community who are now in the 65 or over bracket, with insufficient income, this problem will remain to be dealt with by the parliament one or possibly two years hence; but I think our view would be that $600 million being committed is not going sufficiently in the correct directions and parliament again is left with the question of what to do with the present old people and widows in respect of whom no provision is being made in the proposed Canada pension plan.

Mr. Knowles: So far as you are concerned the problem of all those under 70 needs to be solved.

Mr. Kilgour: We would improve them to the degree which one would give priority to social security, and parliament can lead in this area by considering what it is doing for the old people, looking into its responsibility for education and all the other things, as well as all the bills that come to the door of parliament.

Mr. Francis: Are you recommending an increase in old age security now?

Mr. Kilgour: Well, that is up to the wisdom of parliament.

Mr. Prittie: Mr. Chairman, I have a supplementary question in respect of a question which Mr. Knowles put.

The Chairman (*Mr. Cameron*): Would you proceed with your supplementary, Mr. Prittie.

Mr. Prittie: Mr. Knowles put a question which has not been answered yet, and I will ask that it be answered.

Mr. Knowles posed the question: Does the delegation feel that the government should be in the field of the proposed contributory pension plan, up to the age of 65? Mr. Knowles suggested that perhaps the view of the delegation was that the government should not be in that field but rather the basic old age security field. Would you answer that question?

Mr. G. R. Berry (*Vice President and General Manager, Metropolitan Life Insurance Company, Ottawa*): It seems to me that what we are doing is confusing the number of dollars and the principle that is in the scheme. I refer you to paragraph 56 of the brief, in which we pointed out that the adjustment of old age security was a continuing responsibility of parliament and under continuing study by an advisory committee. Whether the amount should be increased at the present time and by what measure is something which someone should sit down and look into. This we did not think was our responsibility at this point. Now, you ask if we are oposed to the government being in a contributory pension plan because it is taking some of our business, our answer to that is no. If the government decides to produce the necessary degree of care for the aged which cannot be secured in any other way we are not opposing it. But, this is my fourth effort at trying to explain that the principle on which this contributory scheme is being set up is wrong. The key matter is how can you do better the things you want to do better through the type of benefits you now already have. I think I talk reasonably plainly but, as I say, this is the fourth time around, and we keep coming back to it. There is this misunder-

standing about what it is we say is wrong with the program. We are talking about the money you are taking and, as Mr. Kilgour pointed out, and as we do in paragraph 56, you cannot regard this particular program as something existing in a vacuum because you face a host of other demands. Mr. Knowles could tell you a dozen things which he thinks should be done in Canada. It will take $600 million for this one thing, but have you taken it for the thing which the country needs most?

The CHAIRMAN (*Mr. Cameron*): Thank you very much. I think the question has been fully answered. I understand fully now the difference of opinion.

Mr. AIKEN: Mr. Chairman, may I ask a supplementary question which, I think, all members of the committee would be interested in hearing.

The CHAIRMAN (*Mr. Cameron*): Supplementary to what?

Mr. AIKEN: To Mr. Knowles question. I thought he was about to ask this particular question. We have heard the delegation set forth what they believe to be a large number of inequities of errors in this plan. My question is this. In their opinion, can the plan that is before us, Bill No. C-136, be amended to meet the major objections they raise, or should it be completely recast? Must it be completely recast before their objections can be met.

Hon. Mr. CROLL: With all due deference, may I point out to Mr. Aiken—and I am not complaining—that I put that question when we first started our deliberations, and I received no answer. So, I have been quiet since, waiting to see if an answer would be forthcoming.

Hon. Mr. MCCUTCHEON: You may get it now.

Hon. Mr. CROLL: From you, but I will not accept it that easily.

Mr. KILGOUR: Mr. Chairman, if I could answer that point, I thought I said, in reply to Senator Croll's question, that this was like an airplane, and if it does not fly you will have to redesign it. Certainly I will express the view that in order to satisfy the deficiencies in this plan and its grave errors one would have to start afresh in order to remedy it.

The CHAIRMAN (*Mr. Cameron*): Mr. Monteith has the next question.

Mr. MONTEITH: Mr. Chairman, my question, I presume, has been answered. It is the one I was thinking of originally some time yesterday afternoon. I was thinking of the recommendations. We had discussions on portability, indexing, and its possible effect on the economy, and the fact that the basic figure used in the recommendations is $75, which is the present basic old age pension. I do not believe that these recommendations have been properly put before the committee in the form in which they were presented on page 25. I wonder if it would not be well to have on the record a brief summary by Mr. Holmes of these points as they do appear in the recommendations.

The CHAIRMAN (*Mr. Cameron*): My idea was that we might ask Mr. Holmes to sum up, if he wanted to.

Mr. MONTEITH: At some stage I would like to see a summary of the recommendations.

The CHAIRMAN (*Mr. Cameron*): Would you be prepared to do that, Mr. Holmes?

Mr. HOLMES: I feel we have presented them in the brief as briefly as we can.

The CHAIRMAN (*Mr. Cameron*): Whichever way you wish to do it. It may be that you want to return and then send another summary down which could be included in the proceedings.

Mr. HOLMES: In our preliminary presentation we did discuss whether I should read to you some of the recommendations. We have spent a great deal

of time trying to make them as brief as we could, and we decided yesterday we should not do that. I can do it as we conclude today, if you wish.

The CHAIRMAN (*Mr. Cameron*): Is that satisfactory to you, Mr. Monteith?

Mr. MONTEITH: Yes, Mr. Chairman.

Mr. CANTELON: Mr. Chairman, like some of the other members, by the time you get to me most of my questions have been asked. I had five questions and they have all been asked in one form or another. However, I would like to make a comment. I was much disturbed by what I consider the very antagonistic attitude taken by some of the members towards the presentation of this group. I consider, and I think we all do, that the insurance industry is one of the main factors in our economy, and naturally they would not be here if they did not feel they could offer us some suggestions which might lead to improvements in the pension plan. I therefore think we ought to give them sympathetic treatment, whether we agree with them or whether we do not. If we are just sitting here as rubber stamps to say "here is a scheme and it will go through willy-nilly", we are wasting our time. I can assure you I do not like wasting at least two weeks of my time when I spent ten months in parliament during which time I was practically never able to go home at all.

If I may introduce a political aspect into this, let me say that from the look of things by next June I will have to get re-elected.

Mr. MUNRO: Mr. Chairman, on a point of order—

Mr. CANTELON: I realize it is a point of order and I am finished with it. A lot of other people have done exactly the same thing.

Mr. MUNRO: I think Mr. Thompson last night read a telegram in answer to an inquiry of his. It was a telegram from Miss LaMarsh and he read it into the record. He also read a letter from the Prime Minister in answer to one of his inquiries where it was clearly set out that this committee had power to consider all the clauses of the bill, hear all the briefs and then make any recommendations for any changes they thought were necessary after they had heard all the briefs, and so on. Therefore, certainly in both the letter of the Prime Minister and the letter from the Minister of National Health and Welfare there was no suggestion from the government that this was a *fait accompli* and that the committee was just incidental. That being in the record and that being the case, unless you can come up with something more specific I think your remarks are entirely out of order.

Mr. CANTELON: I do not think they are out of order but they are the consequence of some of the questions that have been asked. I am glad to hear Mr. Munro's explanation and I am sure it clarifies the question.

Mr. BASFORD: Mr. Chairman, on a point of order; Mr. Kilgour was most anxious that we should raise a storm on this question and we are trying to oblige him.

The CHAIRMAN (*Mr. Cameron*): I think that the Chairman understands that in asking questions sometimes you put them in such a form as to bring the thinking to a focus. That is what has been done. I think Mr. Cantelon has correctly expressed the opinion of this committee. We appreciate the efforts of the Life Insurance Officers Association. We appreciate the brief. They have furnished us with a great deal of material and a great deal of things to think about. We want them to go away with a feeling we had a very full and frank discussion of the whole matter. We are, after all, Canadians and we do not always play the game with "yes, please", and "no, thank you", and so on. We do use somewhat tougher attitudes sometimes, but I think we all understand that what we are trying to do is to consider the basic merit of the Canada pension plan as proposed in Bill No. C-136. We understand the difference in philosophies as presented by the Life Insurance Officers Association and as contained in the bill. We have to consider it and we also have to make our

recommendations back to parliament in the light of what we consider to be the proper approach to the problem.

Mr. CANTELON: Thank you, Mr. Chairman. I think what I said has clarified the atmosphere, and that was the purpose for saying it.

I would like to ask these gentlemen a few questions about the insurance business so as to emphasize the point that I think they are very much concerned with this and they are an important part of the economy. I am wondering what effect this bill will have upon them. Perhaps they could give us some answers which might lead us to see what effect this bill might have on their business. First of all, what percentage of the company's private pension plans in Canada is set out through life insurance companies?

Mr. HOLMES: We have answered this in the brief, Mr. Cantelon, through you, Mr. Chairman, on page 1 concerning the plans in the private sector and in industries where we are handling about one in four. Perhaps I should read it to you.

> The pension plans which the life insurance companies administer cover about one quarter of the number of Canadians in all private plans.

We then give the other methods that are used.

Mr. CANTELON: I suppose you understand we sometimes ask questions to which we know the answers so as to emphasize the point.

How many of these plans do you estimate will eventually be abolished if the Canada pension plan becomes operative?

Mr. HOLMES: I cannot answer that question exactly. We have had some studies carried out on this question. If you remember, in reply to a question put to me yesterday I stated three things. I will review them briefly. No matter what kind of a plan is put in, the life insurance companies and the field staff will be doing their utmost to build supplements to it, to lower the age, to persuade people to make additional provision for their old age security. We think a well designed community government plan helps us to do this, but we pointed out that we feel there are features in this plan which are going to make it more difficult. I hesitate to give you an estimate. We have had estimates made for our consideration.

Mr. CANTELON: That pretty well finishes the questions that I had on that particular feature.

There was one other that I wanted to ask you. It has to do with the relationship between our plan and the United States social security system. In paragraph 42 of your brief on page 18 you say:

> Under the social security system in the United States the contingency fund has gradually dwindled relative to the benefit load and the stage has now been reached where any extension of benefits involves an immediate increase in the tax intake over and above the scheduled rise in the tax rate to 9¼ per cent in 1969.

In other words, the United States tax rate in 1969 for a scheme which does not give as many benefits as ours will be 9¼ per cent. Did I interpret that correctly?

Mr. HOLMES: I think the committee needs to keep before it all the time the fact that the United States social security plan is the entire program for the United States. When you are considering a question like this in Canada and what the Canadian plan costs, in answering that question, you obviously have to add together the cost of old age security to the Canada pension plan.

Mr. CANTELON: You also have to consider the fact that the United States plan has been running for some time, which would naturally raise its rate.

This leads me to my next question which has to do with the funding in this plan of ours. The original plan was practically a pay as you go proposition, and it was a very small fund. Now there is going to be quite a large fund. Do you feel that part of the large value or large amount of this new fund is due to an over-taxing or an over increase in rates?

Mr. HOLMES: No. I think the committee is aware that in the early stages of the plan, before Canada received reports from its government actuaries, some estimates showed that the tax rate would be as low as 1 per cent of the payroll, half per cent for the employee and half per cent from the employer, which gave the wrong idea. The plan, of the dimension we talked about, would ultimately cost from 5 to 6 per cent of the payroll. However, once we had the reports from qualified actuaries in the government we have made estimates. Our estimates are not exactly the same as theirs, but I am sure that you have very good cost estimates both on the plan a year ago and on the plan at the present time. These cost esimates do indicate that ultimately the cost of this plan as it is proposed will have to go up somewhat from the 3.6 per cent and, when you are thinking of cost, you do have to add in the cost of old age security. But the minutes you propose earnings related benefits—which as we have told you is our fundamental objection—you have a choice of evils; you either have to face these increasing costs almost constantly—that is, parliament has to—without at the same time announcing to Canadians there is an increase in benefits, or mitigate this and create one difficult decision 25 years from now by building up the fund for part of that time.

In the United States there has been a long period in which costs have been stepping up. This certainly has led to considerations about what can be done in respect of increasing benefits.

Mr. KILGOUR: There is a very good illustration in the brief relating to costs and the matter of this United States figure of 9¼ per cent being high in relation to the Canadian one. On page 20, paragraph 51, we point out that the cost of the present old age security and the proposed program together would equal a 10 per cent payroll tax on earnings between $600 and $5,000 a year. In fact, you are not collecting in precisely that form, but if it were turned into a payroll tax, then the old age security and proposed Canada pension plan could be represented by virtually a 10 per cent tax on those income brackets. So, the proposals in this bill, as one would expect, would have to cost more than that in the United States.

Mr. HOLMES: There is one further sentence in paragraph 51. "The initial cost would increase". We agree with the estimates of your own actuaries that the adoption of this plan will confront parliament with an increase 20 or 30 years from now.

Mr. LLOYD: May I ask a supplementary question? A fully funded plan would devote a great deal more of the disposable incomes of Canadians to achieving the same objectives in benefits.

Mr. BERRY: No sir. If you fund the plan fully from the beginning and consider the position of paying no one a benefit unless you have the money on hand against it, you then will have a fund on which you earn a great deal more interest.

Mr. LLOYD: The capital of the fund would have to be built up.

Mr. BERRY: Yes.

Mr. LLOYD: And therefore the contributions would have to be greater in the early stages.

Mr. HOLMES: The initial contributions would have to be somewhat higher.

Mr. BERRY: Initially, but not over the long haul.

Might I make one comment which might help you? It is the long term effect of the pension plan. I would like to offer one very small illustration which I think indicates this. We have talked about the United States social security program as though it is a plan which has reached its final form. It is interesting to remember that although the plan is nearly 28 years old, if you assume a normal working life to be 47 years, it would be another 21 years before the people who entered that plan at age 18 will draw their retirement benefit; that will be the first moment when all the people in the program could have been in it for their working life, so it is a long way from showing its final form.

Mr. G. E. BROWN (*Senior vice president, Sun Life Assurance Company of Canada, Montreal*): Might I add a further point in answer to Mr. Lloyd? I should like to point out that we are not in favour of a fully funded plan. We are in favour of the pay as you go approach. If you are going to be able to develop a fund, somebody is going to pay the interest on that fund, and that interest plus current contributions is going to cover the current benefits. So, you have a load on the economy, whether it be by contributions or interest, to pay the balance.

Mr. Holmes' point, in answer to Mr. Cantelon, is that initially when we looked at this Canada pension plan in the summer of 1963 there was forecast an increasing scale of contributions in order to meet the benefits that were then set up on a pay as you go basis. This involved a situation in which you have a constantly increasing contribution rate with no change in benefits. Remember also that some of these benefits do not become available immediately; your committee has been told that the first widow's benefit cannot be paid before February, 1968, under the bill as you have it in front of you, ad that the first disability benefit cannot be paid until May, 1970, under the bill as you have it in front of you.

In the light of these things, there is a delay in outgo and there is a build-up of income through the excess contribution that is being provided for under this bill. This fund—as you pointed out yesterday, Mr. Lloyd—will disappear in due course, and it is purely fortuitous that this fund is developing in the meantime. I think it should be clearly on the record that the tax rate as it stands here bears no relation to benefits. I think it is essential to the question we have in front of us to observe that there is no magic in a state having a funded plan; that is not what we are in favour of. What we favour is the pay as you go approach and, if yau can, a fully mature flat rate plan from the outset.

Mr. CANTELON: Thank you very much. I have one other question which Mr. Knowles hinted at. This has to do with the matter of priorities suggested on page 21 in paragraph 52. We have heard others mention the fact that there should be three orders of priority, education first, technological development second, and improvement of pension plans and help for the aged as the third of three priorities. Is this the attitude you gentlemen have?

Mr. HOLMES: Mr. Chairman, I feel this question again is somewhat like the question of exactly what monthly amount do we think should be paid under old age security. We would feel much happier if we felt certain that the people responsible for making this very difficult decision—the parliament of Canada and the government of its provinces—had looked at all the priorities. We do feel there is a very pressing need for development of our educational facilities. We really do not feel competent, with the information we have, to balance the needs among themselves.

Mr. CANTELON: I realize this really is a social problem and a problem with which parliament must deal. Unfortunately in our country we have very little control over the educational processes. I will leave it at that.

Mr. CÔTÉ (*Longueuil*): Mr. Chairman, I believe Mr. Kilgour mentioned this matter yesterday; in paragraph 34 reference is made to the fact that not many persons will get benefits under the plan by 1976. Reference is made to the chart which goes to 1976. Are you prepared to tell us what the trend or change would be if a chart was designed until 1986 or 1996.

Mr. HOLMES: Yes. I will answer that as well as I can. It took us a good deal of work to prepare this chart for 1976. We worked on the basis of the report of Mr. E. E. Clarke and his group. We have suggested in our brief to the committee that you should have a report from them in respect of 1971, 1976, 1981, and 1986. Undoubtedly, as time goes on, the non-benefit area steadily will decrease; but we are saying to you, when we give you this picture, that it is almost a fantasy to think there will not be a major change in the plan before, let us say, 1981. We think that, when Canadians generally realize what is going on, they will not be content with the assurance that the situation among old people will improve in 1996.

This took a good deal of work. We feel that you can get a similar report from your advisers. It may not be exactly the same, but we think it would be a close picture of the situation.

Mr. CÔTÉ (*Longueuil*): Is it normal that in the first ten years of pension there would be fewer people who would benefit under the pension plan?

Mr. HOLMES: In the proposed type of plan, but not under old age security. In the plan we advocate, no. In this type of plan, yes.

Mr. BASFORD: Even if we disregard the provisions in the act for increasing old age security?

Mr. HOLMES: No. There is one thing we would like to say about the charts. I would like Mr. Dimock to explain the heading in chart 2, and tell us exactly what chart 2 does represent. The heading is brief. Perhaps he could explain it a little more fully.

Mr. DIMOCK: Chart 2 does not relate to old age security in any way. It relates only to the Canada pension plan.

Mr. BASFORD: It disregards the provisions in the act now before the committee.

Mr. KILGOUR: The diagram shows one and one half per cent getting $119 per month. This indicates an increase in the benefit; instead of $104, it will have gone up to $119 a month. This does reflect indexing for these people drawing benefits. It still remains that two thirds of the retired old people will not be getting one cent from the Canada pension plan.

Mr. HOLMES: I would like to make one point clear about 1976. In the heading we referred to Canadians aged 65 and over. This should refer to Canadians of 65 and over who have retired. The figure of 1,880,000 that is in there is an estimate of the population of the age of 65 and over. I think it is correct that Mr. Clarke in his study has assumed that the people between 65 and 70 by and large will take their reduced old age security and their pension under the Canada pension plan at the same time. It is assumed that if they take one at 67, they will take the other at 67; and this chart illustrated represents that two-thirds of those who have retired at the end of 1976 will be receiving no benefit other than the old age security pension; and 32 per cent of the people will be receiving the old age pension plus this average of $45 a month under the Canada pension plan. The remaining fortunate few—one and one half per cent—will be receiving the old age security plus the maximum benefit of the Canada pension plan with the increments. This is the best estimate we can make.

We have tried to show you a picture which represents our deepest and great concern. We do suggest that you do not accept our chart, and that you secure information and a picture over the next 20 years. We agree that as time goes

on the picture gets better. However, we do not think that the plan itself can possibly remain drastically unaltered over the next 20 years.

The CHAIRMAN (*Mr. Cameron*): Thank you, Mr. Holmes.

Mr. CÔTÉ (*Longueuil*): I was not quite through.

The CHAIRMAN (*Mr. Cameron*): I was not stopping you. I was just thanking Mr. Holmes.

Mr. CÔTÉ (*Longueuil*): In that chart, is there included that percentage of the persons who are already over 69, or the ones who will not participate in the plan?

Mr. HOLMES: The chart relates to everybody in the retired population. Some of them may be 65 and have retired.

Mr. CÔTÉ (*Longueuil*): Many of those will not be participating because they are too old.

Mr. HOLMES: Oh, yes, some of them are 90. This is a picture of retired people as a whole.

Hon. Mr. MCCUTCHEON: This is to indicate that in 196—

The CHAIRMAN (*Mr. Cameron*): Is this a supplementary question?

Hon. Mr. MCCUTCHEON: My arithmetic is not so good this morning, but some two thirds of the population aged 65 and over retired will be getting no benefit from this bill. In other words, this bill does not take care of what is alleged by many to be the important consideration for people who are now old and who are going to get old pretty soon.

Mr. CASHIN: That is true, because they have ignored the indexing.

Mr. HOLMES: No, the indexing is in this chart.

The CHAIRMAN (*Mr. Cameron*): I think we have all had an opportunity to read the brief and if we have had a lot of answers that we cannot put together, then there is something wrong with us.

Mr. GRAY: In the part of the circle which says "no benefit", do you include those who are receiving old age security pension? If this bill should come into effect, because of the provisions of part IV, they would have increased only the old age security pension by reason of the index.

Mr. HOLMES: Yes.

Mr. GRAY: Is this not incorrect when you say they would receive some benefit under this act which they would not have if it were not passed? Can you answer that question?

The CHAIRMAN (*Mr. Cameron*): One at a time, please.

Mr. GRAY: I am not suggesting that there is anything intentionally done here that should not have been done. It may be that it is merely a question of terminology.

The CHAIRMAN (*Mr. Cameron*): The answer I think is perfectly obvious. Perhaps Mr. Dimock could tell us in a word. Do you want to give us that information?

Mr. DIMOCK: The heading of the chart refers solely to the proposed Canada pension plan and there is no Canada pension plan benefit payable to two-thirds of those people then retired. But there is an old age security benefit payable to all the people, those getting $119, under the proposed plan or averaging $45, or getting nothing under it. At that time the old age security benefit may have been increased from $75 to $81 or $85 a month, depending on the price index.

Mr. KILGOUR: There should be in the brief the number of those who will be getting the old age security but not the Canada pension; these people will be getting nothing.

Mr. GRAY: I suggest that the delegates before us take a look at Bill No. C-136 which bears the title "This act may be cited as the Canada pension plan," and in part IV, starting on page 82 it says: "Part IV. Amendments to Old Age Security Act. 119. Paragraph (c) of section 2 of the Old Age Security Act is repealed and the following substituted therefor:"

Your chart says that these people get only the old age security if this plan comes into effect, and they will be receiving no benefit. This could not possibly be correct according to your own definition.

The CHAIRMAN (*Mr. Cameron*): I think this is a matter for argument.

Mr. LEBOE: I would like to point out that anything indexed is not a benefit. All you are doing is keeping up with the times. It is not a benefit if you are just keeping up with the times, as it indicates.

Mr. CHATTERTON: Is it not correct to say that we were informed at a previous meeting that this bill refers to an amendment to the Old Age Security Act, but in the actual act which will be passed by parliament there will be no reference to any amendment to the Old Age Security Act, because such an amendment would be brought down in a separate act?

The CHAIRMAN (*Mr. Cameron*): Whether it is an amendment to the Old Age Security Act or not, I think it should wait until we get into a discussion as a committee without witnesses, when we can iron out these various things. Are you finished, Mr. Côté?

Mr. CÔTÉ (*Longueuil*): No, I did not have a chance to speak yet.

Mr. MUNRO: May I make one supplementary remark to say that when Senator McCutcheon referred to two thirds on chart 2 on page 15 of the brief, I think it should be pointed out that in this chart it says in 1976 apparently 1,880,000 people will be receiving no benefit. I think that works out to approximately 1.2 million Canadians over 65 in 1976 who will be receiving no benefits; that would be 1.2 million. All that is supposed to be reflected in this white aspect of this circle. Now through you, Mr. Chairman, I would like to comment on this. Would it not have been fairer in this chart to show in that big piece of pie that there is no benefit to the number of people who are now—right now, or in 1966, ten years before this chart—over 70, and will still be alive in 1976, because we all know that this Canada pension plan has an aspect of earnings relation, and is not supplementary old age security. So would it not have been fairer to show what aspect on this white circle includes those who are people already over 70? That is one point.

My second point is this: would it not have been fairer to have included in this chart the number of widows aged 55 or over in 1966, and who are not wage earners, and who could not possibly come under the plan? I think that would further cut into this white square. Would it not also be fair to show in the white square the number of unemployed of age 55 and over in 1966? We know if they are unemployed and earning under $600 a year they are not going to come under the plan, and this would point out that anyone in that area, unemployed, who cannot come under the earnings related plan has to be dealt with under other assistance programs. If they are under the exemption, under $600, they must be making $12 a week, which obviously indicates they should be treated under some other assistance program, because it indicates their inability to work.

Mr. LEBOE: Now we have a discussion going on between two members of the committee, and a moment ago you said we should get down to the business of dealing with the witness. I think this is out of order.

Mr. MONTEITH: I think we should have an answer to this because there are various implications in the question.

The CHAIRMAN (*Mr. Cameron*): Perhaps we should agree that there will be no more supplementary questions after this. We will just go right down

the list, and then if someone has a supplementary question he will reserve it until his opportunity comes up.

Mr. MUNRO: If there is to be an answer, my only other comment dealing with that piece showing what is one's earnings benefit, is that I do not think that leaves a good impression. It says there are 32 per cent getting an average of $45. Why did they not break it down and show the people getting $115, and the full range in this area. I think this chart is misleading.

Mr. HOLMES: We suggest that your own actuaries break down that 32 per cent. This is almost impossible for us. On the white part you have really suggested there are five or six categories of people not covered by the proposed new plan. It is quite true that a very large percentage of them are those presently over 65, but this white section falls into a group of categories, and you have listed them very well. That is exactly our concern. Those five or six categories in 1976 will be without benefit.

Mr. MUNRO: That is exactly it.

Mr. HOLMES: We have no objection. If that is what the committee wishes, I am sure their own actuaries could split the white part of that chart and tell you what proportion fell into the different groups that did not come under the Canada pension plan.

Mr. MUNRO: Thank you, Mr. Holmes; that is the answer I wanted.

I suggest if it was broken down in that way it would at least clear up a generalized statement that has been referred to many times because it is obvious that people who are now retired over age 70 and will be alive, fall into this no-benefit category, and so do widows.

Mr. MONTEITH: That is what is wrong with it.

The CHAIRMAN (*Mr. Cameron*): Let us have no more cross questions. Mr. Munro indicates that he has the answer he wanted.

Mr. KNOWLES: Out of his own mouth.

The CHAIRMAN (*Mr. Cameron*): The next questioner is Mr. Leboe.

Mr. CÔTÉ (*Longueuil*): I did not speak yet, Mr. Chairman.

The CHAIRMAN (*Mr. Cameron*): I am sorry, Mr. Côté; I thought you had spoken several times.

Mr. CÔTÉ (*Longueuil*): We can assume, then, Mr. Holmes, that if a chart had been prepared for years other than 1976, such as 1986 or 1996, there would be a big change. As you say in paragraph 48, the proportion of the retired population receiving benefits would go on increasing for many years. It would be quite a different chart, would it not?

Mr. HOLMES: The white part of this chart in 1981 would be somewhat less than it is here, and in 1986 it would be somewhat less, and so on.

Mr. CÔTÉ (*Longueuil*): The association did not prepare any charts?

Mr. HOLMES: No, but the uncovered segment would never disappear.

Mr. CÔTÉ (*Longueuil*): Do you usually prepare a chart for more years ahead when you prepare a private pension plan or do you just prepare charts for ten years after it begins?

Mr. KILGOUR: May I speak to that question?

This chart shows as accurately as can be estimated the group who are receiving nothing from the Canada pension plan ten years hence. It is perfectly true that 20 years hence there will be another big white piece of pie, the people who are receiving no benefits, and 30 years hence—

Mr. CÔTÉ (*Longueuil*): It would be much smaller?

Mr. KILGOUR: It will be smaller, but it will be those people who do not come under the Canada pension plan. They will be the poor, the 25 or 30 per

cent who never get into solid, permanent employment and will not be covered by the plan.

This question gets down almost to the first question asked in the association's letter where it says:

1. Have Canadians through their government

a greater obligation to the future aged than to the present aged?

a greater obligation to older persons who had above-average earnings when working than to older persons who had smaller or no earnings?

a greater obligation to women widowed during and after 1969 than to women widowed before 1969?

This will always be the white piece of the pie in which there are no benefits payable under the Canada pension plan.

Mr. CÔTÉ (*Longueuil*): In those years would you say those poor people will not get a chance to receive any benefits from this pension plan? Would you say after this pension plan is put into operation that proportion of people would be smaller? Would you say that more people will have a chance to be covered by a pension plan if we have this plan than if we leave it only to private plans? Would there be more people covered after this plan comes into operation than if this plan did not come into operation?

Mr. KILGOUR: Of course. A plan that spends $600 million a year is bound to cover a lot of people, but unfortunately it leaves out a lot of people including the present aged.

Mr. HOLMES: And old aged security takes whatever money parliament assigns to this purpose and spreads it over the entire circle.

Mr. CÔTÉ (*Longueuil*): But the longer we delay this plan the more people who will not get any benefits from this plan. Is that right?

Hon. Mr. CROLL: Quite right.

Mr. LEBOE: Mr. Chairman, I have some questions which are on a different line from the ones that have been asked. It does not refer to the brief but it does refer to something about which I am apprehensive, and I would like to get the views of the delegation on this question. Further discussion of these matters that I will mention will be brought up, Mr. Chairman, at the time when we are in commitee without any delegation before us, when we have the department officials here.

Unfortunately I was not here at the beginning of the sittings because I replaced someone else on the committee.

The CHAIRMAN (*Mr. Cameron*): I understand.

Mr. LEBOE: Do you consider the possibility exists that a province operating its own plan could mix welfare with the plan and thereby cause confusion in the whole of Canada, in other provinces, by virtue of supplementing the pension plan as a result of pressures on politicians in any particular province?

Mr. HOLMES: I am sorry, but I do not think I am in a position to answer that.

The CHAIRMAN (*Mr. Cameron*): I think, Mr. Holmes, that is a field you should not venture into.

Mr. HOLMES: We have not considered the question of provincially versus federally operated plans.

Mr. LEBOE: The arguments that have been put forward here seem to indicate to me that there are apprehensions. What I am trying to get at, and I think someone in your group must have some ideas on the question, is this. If, for instance, I heard correctly, a number of delegates who are here were

apprehensive about changes coming in the pension plan. Those changes come into the pension plan because of pressures by individuals on the street, voters, being concerned about certain things as far as their own private lives are concerned in connection with welfare. It seems to me that in your thinking you must have come to some conclusion on whether or not a supplementary allowance to the Canada pension plan by a province would result in stability in the plan or instability.

Mr. BROWN: May I say something to that? I do not think I have a complete answer to Mr. Leboe's question but it might stimulate a little thinking along the lines he has opened up.

Our concern, as we have tried to put it yesterday and today, is that there are going to be two groups of people in Canada, those who benefit from the Canada pension plan and those who do not. These groups of people are to be spread across the length and breadth of Canada. Take the small towns, the small villages, and think of the individuals who have been working in the branch banks, in the railways, in the organizations of other large employers, people who have stable employment and who have been working in those towns as citizens of the towns. Under the private pension plans they are now being covered and provided in their retirement years with pension over and above old age security. There are less fortunate people who are not in that kind of stable employment in those same communities, and parliament has assisted the provinces and the municipalities to help these people through the Old Age Assistance Act. If we overlap this stable employment, this secure employment group, with a further pension plan we will perhaps be distorting even more the situation as between the one group and the other. And, I think this is the reason—and again I come to Nova Scotia—that Nova Scotia said in their brief to your committee, Senator Croll, that:

> It is pointless to tell these people that because the Canada pension plan is based on the insurance principle and is a contributory plan, these exclusions are just and equitable. This large number of ineligible persons will expect from government and the community the same kind of treatment and retirement income as their more fortunate neighbours who have been included in the Canada pension plan. The inevitable results must be increasing pressures on the provincial and municipal levels of government to bring their level of public assistance up to the total level of income of those who are receiving additional income from the Canada pension plan. The greater pressures will be on the province. Obviously, the percentage of such persons will be much larger proportionately in a province such as Nova Scotia than in a more highly industrialized and wealthier province. By the same token Nova Scotia will be less able financially, under present federal provincial sharing arrangements, to cope with the resultant pressures and financial costs.

That, Mr. Chairman, is on the record of the Senate committee on aging. I would like to add, sir, that our studies have shown that there are just as great disparities of income in the urban centres as there are in the rural centres and, hence, this is not a problem that is going to be in only one area. I suggest this is partly the thinking which has led Mr. Leboe to make the comment he did.

Hon. Mr. CROLL: I do recall the very thorough study and the evidence given, but there is one thing upon which I am not clear. If I recall correctly there was some question of the number of people over 70; that was the age who are now covered by some pension plan. Do you recall a figure in respect of that number?

Mr. BROWN: I am sorry but I am afraid I cannot help you with that.

The CHAIRMAN (*Mr. Cameron*): Would you continue, Mr. Leboe?

Mr. LEBOE: I have only three questions altogether. Do you foresee any problems where a government is a tax collector and an employer contributing to a plan on behalf of its employees? What I am getting at here is that this is in the political field, and because of the statements made by delegates I would like to know from them if in their studies they have taken into consideration the realistic position in which the politician finds himself in connection with some of these matters. At the present time we have three levels of government and these three levels of government are employers, who are employing an increasing number of people year by year; they are also the tax collectors and they are going to collect the taxes from the people generally. Also, they are going to make 50 per cent of the contributions of 3.6 per cent.

The CHAIRMAN (*Mr. Cameron*): Mr. Leboe, do you think that the delegates are competent to answer questions of this nature. If you will recall, Mr. Cantelon suggested, and I rather agreed with him, that we are not here as politicians but we are here as people to study the merits of this bill. I know that my opinion in this connection really has nothing to do with the merits of this particular bill.

Mr. LEBOE: I think it has.

The CHAIRMAN (*Mr. Cameron*): Well, I am not going to stop you, Mr. Leboe, but only to remind you that we are not here as politicians but rather to consider the merits of this bill, together with the arguments for and against it.

Mr. LEBOE: I agree, but the merits of the bill are going to be related to its ability to stand. Surely when the bill is in the final draft form it must be one that we as a committee, and the people who are making presentations to this committee, must approve in some measure. They must be concerned whether it is going to have stability and surely whether it is going to stand. Some of these things must have been discussed by them.

The CHAIRMAN (*Mr. Cameron*): I do not see how he could be competent to answer your question.

Mr. LEBOE: Well, if they do not want to answer it I will pass. But, first of all, may I ask if you have given any consideration in respect of the stability of the plan. It seems to me that where you are going to have pressures to break down a plan surely it is the job of this committee to deal with those pressures. I think we should be entitled to question the delegates who are before us in order to find out whether or not, in their opinion, there are any weaknesses in the plan, or whether they feel it is going to break down under pressure.

Mr. KILGOUR: Mr. Chairman, I would be glad to stick my neck out for 30 seconds on that. I think this touches a very important point. The government of Canada has provided an absolutely first class generous pension plan for federal employees; provincial governments have provided a first class generous plan for their employees, and most private industries have supplied good generous pension plans for their employees, although not all.

Mr. LLOYD: And, the cities have.

Mr. KILGOUR: And, through parliament all of these are going to be granted the greatest benefits under this proposed plan. I think it will be perfectly true that there will be widespread cynicism on the part of a man who does not work for the government or one of the prime employers in Canada. They will be given a very much thinner deal than would be the case if they could get on the payroll of one of the governments.

Mr. KNOWLES: Have you read the section of our proceedings which deals with integration of the superannuation plan with this?

Mr. KILGOUR: One of our—

Mr. LLOYD: Answer the question.

Mr. KILGOUR: Yes, I have read that, and I would think that the integration of the civil service pension plan could only be described as very generous. The full windfall goes to the employee, and this is on top of a first class plan. Many people will envy it and many other employers will not feel they can take such a generous attitude.

Mr. FRANCIS: The civil servants of Ottawa will be happy to hear that.

Mr. J. M. LINNELL (*Group Manager, The Standard Life Assurance Company, Montreal*): Paragraph 20 on page 8 of our brief draws attention to that. It cites a particular man who retires on January 1, 1976, with 35 years of service under the civil service plan who will receive a pension benefit of 111 per cent of his pre-retirement salary.

Mr. LEBOE: I have one further question on this subject. I am sure we will not have any problem the political angle. I want to ask if the delegation considers it necessary to tie the pension plan about which we are talking with old age security, or could not the pension plan be set up as a separate proposition. We have lots of private plans which have nothing to do with old age security. Is it necessary under our bill to have them tied in together?

Mr. HOLMES: Well—

The CHAIRMAN (*Mr. Cameron*): I would not think that is a question which the witnesses should attempt to answer.

Mr. HOLMES: We feel that the approach should be an improvement and amendmeint of old age security and I think this indicates that we feel that Canada has to look at this problem, as far as it deals with it as one approach, in that way.

Mr. KILGOUR: Another point relates directly to that. Could we in any way relate it to the Canada pension plan? To use a point and a principle that was used against us in the Hall commission, when we were appearing on behalf of those who wished to finance medical care through private enterprise, service plans and so on, one of the points Mr. Hall made very strongly was that if private industry can only cover 75 per cent of the people that is not good enough. We have to admit that there is a segment of the public that we can never reach because they have not any money available. They cannot buy without money. That is a practical reason. Accordingly, any approach that is related to collecting money, such as the Canada pension plan, is going to run up against the same hard core. There are going to be 20 per cent, 25 or 30 per cent from whom you cannot collect money by any known device in order to have them benefit properly from a wage related plan. That is why one has to go back to the old age security approach. These people are people, and we have to provide benefits for them even if we have not been able to collect money directly out of their wages.

Mr. LEBOE: Supplementary to the answer I received and just to pinpoint it I believe, from what you have said just now, you think it is not possible to set up a pension plan which has nothing to do with welfare or old age security, or a contributing pension plan without it being mixed up with the old age secucurity program that we have today. In your chart you dealt with it separately and you made a very strong point, if I understood you correctly, that we already had the old age security and, therefore, the benefits, so far as the plan is concerned, must not be by virtue of a heading in the act which brings the old age security into the Canada pension plan act but that actually, in fact, we have certain benefits today for the aged. We do have certain benefits. Now, when we add to these, our friends over here are saying that we have to include them all as benefits. But, we already have the benefits of old age security. What I am saying is that I believe now, if I undestand you correctly,

you believe that you cannot be separated and that we cannot establish a pension plan without interfering with old age security at all.

Mr. KILGOUR: We should not operate a social security scheme which excludes the large segment of the population from which we can never collect under the earnings-related approach.

Mr. LLOYD: Mr. Chairman, I have a supplementary question.

The CHAIRMAN (*Mr. Cameron*): No. Mr. Lloyd, not now.

Mr. MONTEITH: Mr. Chairman, I have one question. Have these gentlemen given any consideration to what would happen to this plan if Ontario were to decide not to come into it?

Mr. HOLMES: We have not really felt that that is something we should consider at the present time.

Mr. MORISON: I would like to go back to page 4, paragraph 11, dealing with the surrender of the individual initiative and responsibility. It appeared in the newspapers this morning and it might have set some conservative people to thinking. I myself was a little concerned because I do not like to feel I am going to lose any more of my individual initiative. I would therefore like some clarification from the committee, if possible. In our deliberations so far we have discussed the poor who cannot and do not buy life insurance. You have discussed the pension business, and you have also said that there will be greater sales of life insurance as a result of this pension scheme. My first question is as follows: All life insurance contracts, I believe, do have a monthly income provision, and therefore does it not make sense that we can expect people will not lose their initiative to invest in private pension schemes of their own?

Mr. SHARPE (*President and Managing Director, the Northern Life Assurance Company of Canada, London, Ontario, and President, the Canadian Life Insurance Officers Association*): Mr. Chairman, may I answer this question? I think that statement was one that was attributed to me the other night. I might admit here it is my private belief that a new social security scheme will not interfere with the life insurance element. There is a difference of opinion in the group on that particular matter. I would like to clarify that point for you.

Mr. MORISON: I am sure from past experience that life insurance companies do expect a windfall, if I may use that word, as soon as this legislation is passed. However, if you throw out those who do not buy, cannot buy, and never can be expected to buy—and those people are covered by group pension plans—can we expect the life insurance sales and pension plans to increase, and if so where are we surrendering our individual initiative and responsibility?

Mr. HOLMES: Speaking on this question of incentive, we do have one illustration on page 8. We feel that there really is not much incentive for those people. As I have told you before, we are attempting to persuade people through our field staff to make supplementary provisions. We urge them to do so, we tell them that the Canada pension plan is not enough, they need more. What we say to you is that there are quite a lot of people who are placed in that position which we illustrated on page 8. We can persuade them they need life insurance, but we may find it a little hard to persuade them that they need additional pension. These are the people in Canada who are in a position to save some surplus for themselves.

Mr. MORISON: It is true, but life insurance does have the income provision as an option at the age of 65, so they are buying a small pension or they are taking a lump sum settlement.

Mr. HOLMES: In other words we can conceal from them the fact that they have made additional provision for their old age without realizing it.

Mr. MORISON: I would not like to say you conceal it.

Mr. KILGOUR: Maybe I could comment on this pertinently by saying that when you realize that government employees and private corporation employees are going to have held out to them pensions of the order of 70 or 80 per cent including the Canada pension plan, in plain fact the need to save is greatly diminished. Those people are far more likely to buy new cars or to satisfy many of the needs that advertisers are selling them every day than to save. A great deal of the savings that have generated business in this country have been built up by people who have started to save because they knew they were going to get old some day. They have borrowed on their savings and started off their business, and they have been successful. Many an enterprise has been built in this country because someone saw an opportunity and used his money. If this gets locked in a public pension plan it is possible that much of the liquid capital that is needed to start new Canadian enterprise will also be locked up. The desire to save can be substantially killed by the plan.

Mr. MORISON: Let me congratulate you and the other insurance companies on a terrific selling job in Canada, one that I think puts us in the forefront of insurance buyers throughout the world. I am sure that whether there is a pension plan or not your sales staff will still keep that proud record.

I would also like to congratulate you on a very well thought out plea for those poor people who will never be the customers of your company even though they would like to be.

Mr. CHATTERTON: Mr. Chairman, I should like to speak on paragraph 30 regarding this bonus. In paragraph 30 it says:

> For instance, in the second decade of the plan a bonus of $115 would be paid each month to a retired person whose earnings had been at or above the pensionable maximum.

Would somebody tell me, what group pays that bonus to the well-off?

Mr. HOLMES: I do not think we can answer that. Under the Canada pension plan we can see a direct bonus being paid to them. The Canada pension plan must obtain its money from the contributions spread across the country. In our view of reports made by your economists, the most likely model is the one involving complete forward shifting which in effect assesses the cost of the plan against our people as a whole and what they buy. Opinions will differ there, but it is very difficult to answer who will pay it. We are satisfied that it will be some other Canadian that will receive it.

Mr. CHATTERTON: You say it is a complex question. There may be many groups that contribute towards this bonus. Can you say whether some of the people who contribute to this bonus are those that are earning less?

Mr. HOLMES: We feel that the cost will be shifted forward. It will appear in the economy as an increase in prices, either small or large. These folk who are on old age security only will be paying those higher prices, I am sorry to say, and if this occurs before 1967—I am not sure I have the exact date when the indexing starts—there is no provision to help them meet this charge.

Mr. CHATTERSON: In other words a man making $2,000 a year could actually be paying part of the bonus to one earning more than $5,000 a year, maybe $20,000 a year?

Mr. HOLMES: Worse than that; a Canadian subsisting on old age security may have to make some small contribution towards them.

Mr. CHATTERSON: I do not think anybody pretends this is an actually funded plan; it is not fully funded. Can you tell me how most private pension plans on a fully funded basis actually operate?

Mr. HOLMES: I cannot give the percentages. In private plans that are purchased from life insurance companies the benefit that is bought from us

must be paid for before we promise to pay a benefit. In pensions that are handled as trusts there is frequently a period during which what is called a past service cost is built up, and they come to a time when they are fully funded. If you examine the Ontario legislation, it recognizes the fact that there are quite a few private plans which are not at the present time fully funded. One of its objectives is to require them to become funded. Therefore, you can say some are funded and some are not.

Mr. CHATTERTON: Even in the case of those that are not fully funded, those paying into it and administering it know what is going to happen in 20 years' time; they know what the benefits are going to be. Is that correct?

Mr. HOLMES: I would think most of them have obtained actuarial advice, but I cannot give you the figures.

Mr. CHATTERTON: Under the Canada pension plan we know that X number of years from now there will have to be a change in contributions or some change in the plan itself to be decided by parliament. Would it be difficult or would it be easy for those private pension plans to adjust their own plan to integrate it with the Canada pension plan? What would be the difficulty?

Mr. HOLMES: We feel there will be a continuing difficulty, that whenever there is a change and the big fellow rolls over, all the little fellows will have to try to roll over with him. There is a continuing change ahead, as we see it, major change, and the private industry has to try and foresee those changes. This is very difficult, in our opinion.

Mr. CHATTERTON: Will the indexing increase that difficulty of integration?

Mr. HOLMES: That would be our opinion.

Mr. CHATTERTON: I would like to tackle Mr. Kilgour once more about the airplane that will not fly. He says we have got to redesign this airplane. I doubt very much if the government is prepared to redesign it, and in support of my opinion I will quote the minister, Miss LaMarsh who, on page 28 of the proceedings said:

> In the first place, I would say that I would hope there would not be any reason for the committee to wish for any substantial change.

I will quote again from the minister as it appears on page 29.

> It seems to me that since we have had experts dealing together on the published report of the Quebec pension plan and the published report of Bill No. C-75 it is obviously a compromise plan on which both governments have gone a very long way to meet. It would seem to me that as reasonable men and a reasonable woman in this committee you, of course, notwithstanding your point of departure, will follow that same line of reasoning.
>
> I am not really foreseeing that there will be great divergence on questions of principle by the time you conclude these hearings.

Now, assume the government or the committee will not redesign this airplane to make it fly, would you give us your ideas of how we can at least make certain repairs or minor changes to this airplane so that in the future it might have a better chance to fly? Assume the government is not going to accept your proposals, which it is not, what amendments can be made to the Canada pension plan as proposed to make it a little more feasible and help those who are not helped?

Mr. KILGOUR: As this analogy of the airplane gets pushed along, I would say that the designers of the Comet expected it would be the jet aircraft of the future but unfortunately found that it should be withdrawn. Personally, I believe, if this bill is passed, that parliament of one year or two years

hence will have to make the corrections because the public finally will not tolerate it.

To answer your second question directly, if this bill is to go through, there are some patches which clearly should be made and I think in that case that perhaps we should return.

Mr. LLOYD: If your effort fails, you want to return.

Mr. HOLMES: If it is to be a patching job, there may be other people from whom you would seek advice. If you want advice from us on that point, I think we would want to return; that is, we would not want to make recommendations along that line today.

Mr. CHATTERTON: If it were pretty well obvious, as it is now, that the government is going to go through with this plan as it is without substantial changes, then your group would be prepared to come through with amendments.

Mr. HOLMES: I am sure anything we would suggest would involve substantial changes.

Mr. CHATTERTON: Would an extension of the transition period be an improvement in this plan; would it level out or remove some of these inequities?

Mr. HOLMES: I think you received an answer last night in respect of the bonus area, which as the committee can see is an area of our major concern; that is, the transition period and the indexing are big factors in that area. I think probably that is all I should say; but that was said to you last night.

Mr. CHATTERTON: Coming back to the hard core of 25 per cent or 30 per cent who would not obtain benefits, the ones who need it most, to what extent do the private insurance companies do business with that group? Is it possible for private industry to assist that group?

Mr. HOLMES: I think Mr. Kilgour answered that. Their fundamental problem is lack of money. We are a business organization and we have to obtain the price of what we supply. I do not think so; I hope the committee realizes we are fully in sympathy with the poor, but there are things that Canada can and must do if the community is prosperous enough which businesses like ours cannot do. However, we think it is a mistake for Canada to think of itself as a great big insurance company.

Mr. CHATTERTON: In other words, this hard core group which would not benefit under the Canada pension plan can look to the community only for relief?

Mr. HOLMES: That is our opinion.

Mr. CHATTERTON: And they will be looking to us for relief before very long.

Mr. HOLMES: That is our opinion also.

Mr. CHATTERTON: Some of them are looking for it now.

Hon. Mr. MCCUTCHEON: That is a fact.

The CHAIRMAN (*Mr. Cameron*): That completes the list of persons who have indicated they wished to ask questions on the first round. We now are on the second round. Mr. Munro is first; I have, then Mr. Francis, Mr. Knowles, Mr. Cashin, Mr. Lloyd, Mr. Aiken, Mr. Basford, Mr. Gray, Senator McCutcheon and Senator Croll.

Mr. KNOWLES: Should we have some understanding in respect of passage of time?

The CHAIRMAN (*Mr. Cameron*): I think we should ask the members to confine themselves to one or two questions and make them specific so that we might obtain specific answers.

Mr. CHATTERTON: On a point of privilege; again it seems we will not conclude this group this morning. Will they be available again this afternoon or evening?

The CHAIRMAN (*Mr. Cameron*): They have indicated to me they are prepared to put themselves entirely in the hands of the committee. I do know they had hopes of flying out of Ottawa some time early this afternoon, but it looks to me as if they will not be able to do so.

Mr. LLOYD: At some point while these gentlemen are here I had hoped we would concentrate our questioning in an effort to obtain information, if they are able to give it to us, more precisely on the adequacy of present private pension plans. We have heard a lot about government plans, provincial plans and city plans, but have done very little by way of examination of the adequacy of existing pension plans and why they fail to reach so many people.

Mr. KNOWLES: Is this a question?

Mr. LLOYD: It is applicable to the matter or arranging our study.

Hon. Mr. MCCUTCHEON: Is the delegation prepared to return at 2 o'clock?

Mr. KNOWLES: We have Mr. Watson this afternoon.

The CHAIRMAN (*Mr. Cameron*): These gentlemen have indicated their willingness to return and follow out our desires, whatever they may be.

Mr. HOLMES: Many of us have a flight leaving at 1.40 p.m. Some of us have remained until this moment with some difficulty. You will realize originally we intended to end yesterday afternoon. If you wish us back, we certainly will be prepared to return.

Mr. PRITTIE: I think that would be asking too much. These gentlemen have stayed over now and have made arrangements to leave. I think we should accommodate them.

Mr. AIKEN: I believe we can wind it up.

The CHAIRMAN (*Mr. Cameron*): Would you proceed, Mr. Munro?

Mr. MUNRO: Mr. Chairman, there are just two or three points which were brought up. I am sorry the gentlemen cannot remain, because quite a few things have been said. One point was brought up concerning the question of this being a detriment so far as personal savings are concerned. I believe this was mentioned by Mr. Holmes who said it prejudiced Canadians in repatriating their own industry because a good source of these funds come from personal savings.

I think one comment was made to the effect that many companies had gone up to their limit. I would like to refer to page 127 in the Minutes of Proceedings and Evidence of the Banking and Commerce Committee. This is a series of questions and answers between Mr. Moreau and Mr. Humphrys, Superintendent of Insurance. This was approximately two months ago:

> Mr. MOREAU: I was interested in the answer you gave, Mr. Humphrys, to Mr. Munro pertaining to the percentage of assets of insurance companies in common stocks and the percentage in Canadian stocks. I put a question on the order paper last session, and though I do not have the answer before me now my recollection is that the total investment by Canadian life Insurance companies was about 4½ per cent of their assets in common stocks, and about one quarter of that or approximately 1½ per cent was in Canadian stocks. You now say it is almost half, and I wonder if the picture has actually changed that much in this short a time.
>
> Mr. HUMPHRYS: It is less than half. I am asking Mr. Patterson to calculate it.

Mr. Patterson is Mr. Humphrys' assistant. Then on page 129:

> Mr. HUMPHRYS: Mr. Patterson has calculated the figures from our reports at the end of the year, and his figures show a little higher than one third now, not as much as one half.

It is not as much as one half of 4½ per cent which was invested by Canadian insurance companies in Canadian common stock as of the end of 1963, according to Mr. Humphrys, the Superintendent of Insurance. I believe under the act you are limited to 15 per cent.

Hon. Mr. MCCUTCHEON: Is that book value you are using or is it market value?

Mr. MUNRO: Do the insurance companies use book value?

Mr. J. A. TUCK, Q.C. (*Managing Director and General Counsel, The Canadian Life Insurance Officers Association*): Yesterday I referred to the proceedings which you mention. I was only going by recollection when I said about 5 per cent. I had no intention of using an inaccurate figure; that is why I referred to the proceedings. The questioner then went on and asked whether any companies were high in relation to the statutory limit and I pointed out that Mr. Humphrys' figures were on book value and that on market value the companies' percentage of assets in stocks was higher and that in fact some—I did not say many—companies have nearly 15 per cent of their assets in Canada in stocks—some.

Mr. MUNRO: I think, at one point in the proceedings, Mr. Humphrys said that if you take it at market value rather than book value it might double it. If you still are under the 4½ per cent, according to Mr. Humphrys' figures, even if you double it you are nowhere near the 15 per cent figure at the end of 1963.

Mr. TUCK: I do not think this is relevant. I shall not take up any more time except to point out that there is no inconsistency with what I said last night, that this particular type of investment is relatively larger in some companies than others.

Mr. MUNRO: If this is a valid point on the part of the life insurance companies, I suggest that their record could have been considerably better.

Mr. AIKEN: What has that got to do with the Canada pension plan?

The CHAIRMAN (*Mr. Cameron*): There are a lot of irrelevancies, but they may have some bearing some time later.

Mr. POPKIN: The Canada pension plan does not increase the ability of the insurance companies to invest in equities to the extent of the diversion of income from the private sector to the government sector. I see no indication that the government intends to use this money to buy equities.

Mr. MUNRO: I have one other point. It was given in evidence yesterday I believe when a gentleman said that the countries that had used the indices system for raising their benefits had such an experience that they had abandoned it, and specifically he referred to France.

Mr. AIKEN: This question is not getting us anywhere.

Mr. MUNRO: Was it not mentioned that France had abandoned the index system?

Mr. POPKIN: It was mentioned that they had abandoned it in 1958, but it has come back into the system now. They do use it now.

Mr. MUNRO: I have one other point: referring to the brief, page 27, clause 71 where you say:

> 71. The proposal the association has made is that larger family allowance benefits be paid for children in families where the father has died and the mother has not remarried or where the father is totally and

permanently disabled. The present family allowance benefits of $6 for children under 10 and $8 for those age 10 to 15 could be increased on the death of the father to, say, $30 and $40 at an approximate annual cost of $35 million.

I have checked the records and I would like to know what is the source of the $35 million which would in effect allow for $24 and $32, for each orphan, depending of course on his age. I would like to know how many orphans are allowed for, because in the 1961 census it mentions 150,000 parentless children with 148,000 under 19, and in addition there are fatherless children with widowed mothers, and the census mentions 34,000 motherless with widowed fathers; and even at $35 a month for each child the benefits would add up to more than $90 million to $100 million in 1961; yet you cite a figure of $35 million. I would like to know the source of how you arrived at this figure of $35 million.

Mr. DIMOCK: I could not follow your figures, but I could put ours on the record. Our source is the 1961 census, publication No. 93516, at page 71—1. The children in the families where the head is a widow projected to a 1966 figure came up to 56,700 in the age group up to nine, and 62,100 in the age group of 10 to 15, giving a total number in 1966 of 118,800, and paying an extra $288 a year for the zero to nine year old age group, and $384, for the 10 to 15 year old age group, we came up with a total figure in 1966 of $40,100,000.

Mr. MUNRO: They are up over $5 million now.

Mr. DIMOCK: They are up over $35 million on the basis of a 1966 projection.

Mr. MUNRO: I took the figures I indicated, and multiplied them by $25, and I have checked the figures. There is one other point if the committee will allow me, on this question of old age security which throughout the brief I would suggest has been used by the association to point up certain things, and has been omitted to point up other things. I am referring to chart I where they talk about the relative costs of social welfare schemes in Canada as compared with the United States. In their chart they have included old age security. Again, I would point out on page 8 they comment on the relative generosity of the development of the superannuation fund for civil servants, and they have again included old age security. Midway through the page they say the percentages would be lower if they earned more than assumed and higher if they earned less .When they themselves have included old age security it is hardly indicative that the rich will get more on the basis of the statement that the committee would wish to confirm whether the figures are correct, and if they are that it will indicate little scope for saving. So they were quite right to include old age security.

Hon. Mr. MCCUTCHEON: It is a welfare benefit.

Mr. MUNRO: But when they were talking about bonuses all day yesterday, Senator McCutcheon, they refused to consider the old age security as part of the over-all consideration in arriving at this. In other words, they divorced all consideration of old age security when they talked about the Canada pension plan. This is analogous to saying that the framers of this legislation should have completely ignored the effects of the old age security plan when they figured out the Canada pension plan, and of course it had to be taken into consideration. So I say that when the association point out the over-all cost of the implementation of this plan they then add it to old age security figures when they wish to show the over-all cost. When they wish to criticize the plan on the basis of bonuses assisting the welfare, and so on, they omit the old age security. My point in referring to this schedule is that this is rather unfair because when one does add old age security it gives a considerable weighting factor and works out far more accurately for the lower income brackets.

I would not mind filing this. My figures show a person earning $100 a month, if he is single and assuming the average retirement age at 67½, would be getting $88 a month, and that is 88 per cent of his wage, 88 per cent of the $100 a month. If he is making $200 a month he would be getting $113, which would be 57 per cent of his wage. It gradually comes down from 88 per cent to 57 per cent. If he is making $250 a month, if he is single, he will be getting $126, which is 50 per cent of his average wage. If he is making $300 he will be getting $148 or 46 per cent. At the top he would be getting $163 a month or 41 per cent of his wage. So, from a man making $100 a month who is single getting 88 per cent the percentage drops down to the top level of 41 per cent. Of course, I agree this is combined. This is assuming that the average retirement age is 67½.

I would ask if the association feel those percentages from 88 to 41 are unreasonable in the circumstances.

Mr. KILGOUR: The quick answer to that is that dollars are what one has to take to the grocery store and not percentages.

Mr. MUNRO: But, I am saying that this certainly does go a long way when you include old age security as a weighting factor. It does go a long way to remove the implications which were suggested by those considering the Canada pension plan alone.

Mr. KILGOUR: The biggest dollar bonus goes to the higher income group.

Mr. MUNRO: I have one last question, and I hope I have not taken up too much time.

M. MONTEITH: You have.

Mr. MUNRO: Well—

Mr. MONTEITH: Does not anyone else get any consideration?

Mr. MUNRO: The only other remaining question was that if the gentleman felt by lowering the ceiling on earnings in a year from $5,000 to, say, $4,000 this would overcome to some degree some of the element of this plan benefiting because they claim the higher income earnings have prejudiced the lower income earnings.

Hon. Mr. MCCUTCHEON: And, lowering the benefits as well?

Mr. MUNRO: No, the same percentage of 25 per cent.

Hon. Mr. MCCUTCHEON: That would not fit in with the province of Quebec.

Mr. MUNRO: Do you feel that lowering the ceiling would not ameliorate this criticism.

Mr. HOLMES: Lowering the ceiling, of course, would reduce the benefits, as Senator McCutcheon has suggested. I think we have indicated as clearly as we could that the proposal needs a more drastic overhaul than that.

Mr. MUNRO: My only comment in that connection would be that in a brief, which I can quote but which I will not, the Canadian Life Insurance Officers Association opposed a suggestion made by the federal government that the ceiling be $4,000—that is what they were proposing at that time—which amounts to $78 a week for a married man, and I believe their claim at that time was that it would give such a pension to $4,000 and under that there would be very little incentive for personal savings.

Mr. KILGOUR: We never had an opportunity to present a brief.

Mr. MUNRO: Well, I can read from it. I have referred to it.

The CHAIRMAN (*Mr. Cameron*): Mr. Munro, time is passing.

Hon. Mr. MCCUTCHEON: Mr. Chairman, I think we will have to adjourn and ask these gentlemen to come back this afternoon.

Mr. CHATTERTON: Hear, hear.

Hon. Mr. MCCUTCHEON: And, when we do come back I would like Mr. Munro to take his seat by the clerk because he is giving a great deal of evidence upon which we would like to examine him.

Mr. CASHIN: And, I would suggest that Senator McCutcheon sit on the other side of the clerk.

The CHAIRMAN (*Mr. Chameron*): Now, gentlemen, we still have some time left.

Mr. MUNRO: These are questions which are pertinent to what has been claimed.

Hon. Mr. MCCUTCHEON: I am not criticizing Mr. Munro, but it is obvious that we cannot finish by 12 o'clock.

Mr. KNOWLES: Our questions will take only another couple of minutes.

Mr. CHATTERTON: On a point of privilege, Mr. Chairman, questions were asked earlier with regard to chart I and at that time you ruled that the delegates would be given a chance later on to answer those questions. This is on the record and no chance yet has been given to them for reply.

The CHAIRMAN (*Mr. Cameron*): They will still have that opportunity.

Mr. CHATTERTON: I was just bringing it to your attention, Mr. Chairman.

Hon. Mr. MCCUTCHEON: In my opinion, Mr. Chairman, we cannot finish by 12.30.

The CHAIRMAN (*Mr. Cameron*): But, at least we can go to 12.30, if that is agreeable.

Hon. Mr. MCCUTCHEON: Why not let them have time for a decent lunch and then come back later.

The CHAIRMAN (*Mr. Cameron*): I am not clear in my mind whether they intended to come back this afternoon or to return to Toronto and come back at a later date.

Hon. Mr. MCCUTCHEON: I do not think they intended to come back this afternoon but, I suggest, they would be quite willing to do so.

Mr. MUNRO: Mr. Chairman, I was quoting from page 13 of the brief of the Canadian Life Insurance Officers Association submitted to the minister, which was filed in the House of Commons in response to your motion, Mr. Knowles. That brief was submitted by your association. It was dated July 26, 1963, and I was referring, as I said, to page 13 thereof. That was when the suggested level was $4,000, and you were opposed at that time.

Hon. Mr. CROLL: Mr. Chairman, Mr. Watson is a member of the group and it is quite conceivable that you might be able to arrange for this gentleman to be here at 2.30. Perhaps Mr. Watson will remain until later.

The CHAIRMAN (*Mr. Cameron*): That is up to the association. I would certainly like to finish it up, and I think they would also.

Mr. HOLMES: I think the delegation is in your hands, Mr. Chairman.

The CHAIRMAN (*Mr. Cameron*): Are you prepared to come back at 2.30?

Mr. HOLMES: If that is the wish of the committee, yes.

Mr. KNOWLES: Why not give them a couple of minutes to get together and decide?

The CHAIRMAN (*Mr. Cameron*): Certainly. We will adjourn for two minutes to allow you to consider with your group what you wish to do.

Mr. HOLMES: It is clear that a sufficient number of the delegation are in a position to stay, so we will be happy to stay, if that is the wish of the committee.

The CHAIRMAN (*Mr. Cameron*): It is agreed.

We will come back at 2.30 p.m.

Mr. CÔTÉ (*Longueuil*): Could we not continue until 12.30?

The CHAIRMAN (*Mr. Cameron*): We will continue until 12.30.

Mr. AIKEN: Has Mr. Munro finished his line of questioning? I do not want to object to his taking our time, but if we are going to continue we should all have a chance to ask all the questions that are necessary. My only objection in counting the five or six questions is that it will leave no time for other members. If Mr. Munro is going on, let us let him finish his line of questioning.

The CHAIRMAN (*Mr. Cameron*): I think he was nearly completed. I think he had some other observations to make.

Hon. Mr. MCCUTCHEON: Did Mr. Munro quote a reference from the brief? He has given us his interpretation, let us have the reference.

Mr. MUNRO: I am referring to page 13 of the memorandum submitted by the Canadian Life Insurance Officers Association enclosed with the letter to the minister dated July 26, 1963. Starting five lines down, it says:

> A major weakness of the federal plan under consideration would be its unfavourable effect on private saving as the payroll tax rises. Most individuals earning less than $4,000 a year—and this includes the majority of Canadian workers—would likely come to rely on the government to meet their entire retirement needs and discontinue or reduce their own savings since most saving is for retirement.

My point was simply this, that even at $4,000, the proposal was for 30 per cent. I believe that would work out to something in the order of $1,200 a year at the maximum level of pension. A man making $5,000 under the present proposal would be getting $1,200, just like the man earning $4,000. You cannot say that all those people in the range from $4,000 to $5,000 would get the same benefit as somebody earning up to $4,000, and you can hardly say that under the old scheme there was any great benefit for the person in the higher wage level because how can a man raise a family on $70 a week? The association was even opposed to that on the level of $4,000. I would think that when they are trying to establish this point maybe they should tell us what level they think should be applied assuming that a Canada pension plan of some kind will be put into effect.

Mr. HOLMES: At the time this memorandum was presented the Canada pension plan did have a maximum of $4,000 a year. The comment which was read is simply our comment on the plan as it existed at that time. We were essentially saying the same sort of thing as we are saying today, that an income related plan does have certain defects and that it is only partial in its coverage. May I remind the committee that since 1950 we have consistently supported the old age security approach, a uniform, universal approach to old age security for all Canadians. We were not recommending $4,000 or $5,000 or any other limit. Consistently we have said the same thing about the income related program.

Mr. MUNRO: With that explanation I accept that you are opposed to this type of approach to pensions. I am glad that is clarified, because now we have that on the record. I had the impression that at one time it was $6,000 and you objected; now it is $5,000; it used to be $4,000 and you even opposed that. Presumably if you lowered it to $3,000 you would be opposed on the basis of the general principle you outline now?

Mr. KILGOUR: It was clearly stipulated in the memorandum to the Minister that "we oppose a federally operated pension plan providing earnings related benefits".

Mr. HOLMES: And that we supported a federal plan based on universal benefits.

Mr. MUNRO: I am glad it is clear that the association should be revealing such tremendous concern for the lower wage levels, because they are not being helped when you oppose it for $1,000 or $3,000. You are getting down to a man earning perhaps $78 a week. At $3,000 it might work out, perhaps, to $65 a week. It has been isolated to this; you are opposed to this as a general principle—a contributory scheme.

Mr. MONTEITH: They have been trying to tell you that since yesterday noon.

Mr. MUNRO: Then let us have no more gobbledegook.

Mr. HOLMES: There was a word slipped in there; that is, that we are opposed to a contributory scheme. I would call the committee's attention again to the fact that we supported old age security as a contributory scheme; that it was recommended by the King-Lesage committee as a contributory scheme and was presented to parliament by the government as a contributory scheme; and parliament presented it to the people of Canada, including ourselves, as a contributory scheme, and we supported that contributory scheme.

Mr. MUNRO: But it supplies only $75 a month which hardly is adequate.

Mr. HOLMES: I think we have made it clear that we feel the question of amount is a responsibility of parliament.

The CHAIRMAN (*Mr. Cameron*): It is 12.30 p.m., gentlemen. We will meet here at 2.30 p.m.

AFTERNOON SITTING

WEDNESDAY, January 13, 1965.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, we have a quorum. Mr. G. M. Watson is here. He has presented a brief and is supposed to be our only witness this afternoon but he has kindly suggested that he stand aside temporarily as long I can assure him that he will have an opportunity to catch a train to Toronto at 7.00 p.m. Under those circumstances I suggest that we proceed with the life officers association members until 4.00 p.m. unless we finish sooner than then, and that at four o'clock we call upon Mr. Watson and if necessary bring the life officers back, because they are willing to return. Mr. Munro still has a few questions he wishes to ask. He may proceed.

Mr. MUNRO: My question is related to the one I asked this morning, in connection with the diagram—I think it is chart 2, showing what purports to be 1.2 million Canadians aged 65 or over at the end of 1976 who would be receiving no benefits. I think it was agreed as a result of the questions that this 67 per cent, or whatever it is in this white spot, would include the unemployed, would include people now in retirement over 70 who would still be living ten years from now, and would include widows who are now 55, whose husbands were already dead when the plan came into operation.

My question is this, so that we may have an opportunity to check the accuracy, if you like, or come to our own conclusions with respect to this chart: do you have figures to show how this whole area of no benefits is broken down, showing the number of unemployed, showing us how you establish it, showing us the number of people now retired over 70 who will be alive in 1976, showing us what portion of the pie it is, and how you arrive at it, showing us the widows now 55 who will be alive in 1976, and showing us how you arrived at that?

Mr. HOLMES: The answer to that question is no, we do not have an analysis. The way we approach this, as I tried to explain, is as follows: It is quite a difficult problem for us to base it on your own actuary's forecast, but we have worked quite hard in order to give you as accurate a picture as we can from the outside. You will realize that this forecast does not divide the benefits being paid into these different categories. We suggest that you do obtain whatever analysis you wish from your own actuary. We feel that this is an accurate picture, and certainly the best we can give you.

I would call your attention again to the fact it may be that our subheading there should be lengthened a little bit. We have taken people actually in retirement and receiving benefits, and have tried to divide them up. Included in the total of 1,880,000 Canadians of age 65 and over are those who are still working, but they are not in the pie. The pie is composed of those who are in retirement, according to your own actuary's estimate.

Mr. MUNRO: You make it very difficult for us to come to any conclusion on how this was arrived at without having a breakdown.

Mr. HOLMES: That is partly why we recommend that you ask for a further analysis from your own actuary. We cannot give you a more complete analysis in this part.

Mr. MUNRO: Thank you. You are not prepared to verify the accuracy of it.

Mr. HOLMES: I stand behind it, and I say that we feel that this is an accurate picture of the situation, and part of the situation that is concerning us, as we have expressed it to you in the brief. We would be very glad to have you obtain a confirming or alternative report from your own adviser. If for instance, his report showed that the white part of the pie was a little smaller, this would reduce our concern; but if it happened to show that it was a little larger, it would of course increase our concern.

Mr. MUNRO: All we can say is that this is a chart which you laid before us to establish your argument, but that you cannot have any source of authority for the figures arrived at, because they are not available.

Mr. HOLMES: The source is your own actuary's report, and we have been just as careful as we could in the analysis of the people in receipt of benefits.

Mr. MUNRO: Thank you. I have one final point which I want to clarify. I believe this morning in referring to this last recommendation of the association concerning orphans it was estimated to me that that particular benefit would cost $35 million. They feel now that a more accurate figure would be $40 million. Do I understand it from the gentleman who answered the question that he was talking about orphans and widows?

Mr. HOLMES: I would like him to reply to that, and to explain exactly what is in his estimate.

Mr. DIMOCK: The lead in to this illustration is the first sentence in paragraph 70 which says that for some time the association has advocated the provision of universal basic benefits both to widows and the permanently disabled with dependant children. We then go on in paragraph 71 to illustrate one way in which this can be done for widows; the figures I gave you were for widows with dependant children.

Mr. MUNRO: You mean orphans with both mother and father dead. They are not included here and they would be supplementary.

Mr. DIMOCK: That is true.

Mr. MUNRO: And that would also apply to the orphans of widowers; they are not included here?

Mr. DIMOCK: That is right.

Mr. HOLMES: I would call your attention to the fact that we put this before you as a suggested practical plan. We have not the least conception that the committee would just take our plan.

Mr. MUNRO: Through you Mr. Chairman to Mr. Holmes, apparently it is quite true. During my questioning and perhaps some of the others, perhaps it would be better if he spoke for himself; that if I appeared to be unduly belligerent or discourteous in any way, I hope you will accept my apologies. It certainly was not my intention. One does get wrapped up in these things, and one perhaps pursues a point unduly. I would not want you to feel offended in any way, and I do certainly appreciate your courtesy and that of your association in answering my questions.

Mr. HOLMES: I reciprocate your comments. I am sure that both you and I have tried to make our statements clear, and I have no feeling that any one has been particularly belligerent.

Hon. Mr. MCCUTCHEON: You know your are right, Mr. Holmes.

Mr. CANTELON: Let us not start off with any sarcasm.

Mr. FRANCIS: This does not have to do with Mr. Munro's comments, but I think the brief is an excellent one, and that the presentation is first rate. I only hope that the briefs we have yet to receive will be all of the same standard. But what concerns me, Mr. Chairman and Mr. Holmes, is to try to relate this to the program before this committee. We have a specific piece of legislation and it seems to me that the life insurance officers association is saying that at this stage Canada is looking towards a major departure in social security measures, and there are three approaches to be considered. One is through the means testing, or the resources background. The second, is through a social insurance measure, and it seems to me that a good deal of the criticism directed at it is because it is not something else. And the third is to take a universal benefit approach in order to meet the problem.

The association seems to be saying first that of the three paths that you could tread at this time, this legislation is a step in a direction which you gentlemen generally distrust, and you feel that it is wrong in concept and in terms of social insurance as such.

You have been kind enough to place before us a series of alternatives which you think would add up to a more equitable or more defensible package from your point of view. I want, if I may, to see if I have interpreted this package carefully. In your summary of recommendations you have first of all suggested $65 or $75 a month for every single man.

Mr. BROWN: Who has retired.

Mr. FRANCIS: Yes, who has retired.

Mr. HOLMES: To all; every person who has retired.

Mr. FRANCIS: For all married persons you have a scale for the husband of $65, and for his wife who is 60 there will be a sliding scale up until 70 which goes up to $150.

Mr. HOLMES: For the husband whose wife is under 60 we have simply suggested a single amount, and that when the wife crosses 60, it is suggested we give $125 to the couple, and it would increase to $150 when the younger wife reaches 70.

Mr. FRANCIS: The cost which you have indicated by your own estimate for this recommendation is in the order of $300 million a year.

Mr. HOLMES: That is correct, and that is the very best estimate we can make. Again we feel sure that your committee would want to check it with your own adviser.

Mr. FRANCIS: I appreciate that. The second recommendation is put a little more tentatively in terms of a premium for the higher age group after the age of 70. This is a clever suggestion. Presumably for the alternative you would need more money than you would get per month under this scale which you have put forward with the suggestion that you can do it for $60 million annually.

Mr. HOLMES: That is correct.

Mr. FRANCIS: And the third category is to bring about a universal benefit approach to dependancy for children losing both parents, and children losing the breadwinner in the family, and your estimate is $35 million for this. And then Mr. Munro raised some technical questions which are not important in principle. He wondered if your estimate was low.

Mr. HOLMES: If you are thinking of using our estimate for the group you mentioned, it would be low. We have suggested a smaller group than you, and the committee might readily think that it should be a larger group.

Mr. FRANCIS: As I understand Mr. Munro's interpretation, he had an estimate in the order of $100 million or approaching it.

Mr. HOLMES: That is right. The largest part of the difference would be motherless children in the care of their father and since the father would still be working, we did not suggest that there be extra payments there.

Mr. FRANCIS: The concern I have relates to what this package would mean. Just as there are certain limitations that depend on a social insurance measure, I think the committee is as basically aware of the same basic points of application as you are. But let us look at what this adds up to. It is an extension which would amount to the order of $400 million a year immediately. There is an argument that there be no increase or benefit for people who go on retirement over the flat rate scale, or for people now retired. Mr. Knowles, I think, made this point earlier.

Mr. HOLMES: I am afraid I do not quite follow you.

Mr. FRANCIS: For people presently retired I am not aware that any of these recommended changes would add to the pensions or benefits of those presently beyond the required age.

Mr. HOLMES: Oh, yes. First of all, the man who was 73, with his wife 68, would receive $125 a month.

Mr. FRANCIS: If one were to take the case of a man of 73 who has a wife of 68 he would receive $125 a month, whereas at the present time a number of those couples are in a very critical situation trying to get along on $75 a month. There is no question of additional benefits for people less than 70.

Mr. HOLMES: No. If the husband is over 70 and his wife is still under 70—

Mr. FRANCIS: Yes, I see.

Mr. HOLMES: We have said we do think there is further study needed as to whether something further is to be done at the older ages. Based on what we have seen of the dominion bureau of statistics' figures—and the information we have had can be wrong—the picture may be different at 80 than 75 and at 85 than at 80.

Mr. FRANCIS: I think this total package is a much more radical package than I certainly anticipated from your group. I have a great deal of sympathy with a great many things here, but I think it will be more expensive than the Canada pension plan if you project forward a period of years.

Mr. HOLMES: We frankly do not agree with this, but again I think the only people you can possibly be expected to believe in this connection are your own actuarial advisers. Again, I might mention that we have not criticized any of the cost estimates that you have received from the actuaries.

Mr. FRANCIS: I appreciate that, but you feel that projecting this to the same period as that to which we have projected the Canada pension plan would not show it to be of a greater order of magnitude?

Mr. HOLMES: I am quite sure in my own mind that it would not be.

May I refer to a point you have mentioned? I think you mentioned no indexing. I still do call your attention to the fact that we think the actual scale, the $75 basic and $125 and so on, should be reviewed quite regularly and systematically with reports from the bureau of statistics primarily to see whether the retired people's income is keeping reasonable pace with the income of people at work.

Mr. FRANCIS: Do you not expect the result of this procedure would be a series of amendments to the basic level?

Mr. HOLMES: Of course, and it would become quite systematic and well worked out.

Mr. FRANCIS: What gives me most concern, to be frank with you, is that I think it would be an invitation to political instability if this approach were generally adopted. It seems to me it would be more detrimental to the economy than the proposals put forward. This is my basic concern with the alternative.

Mr. HOLMES: You realize that we feel this alternative is not nearly as unstable as the plan we are considering, and the main reason is that this alternative appears to be fairly equitable to all people at the older ages. We cannot see how the introduction of a plan, which does make for comparisons between one and the other, will not greatly increase the pressure to keep changing the combined plan.

I know that this has been a difficult problem. I do not think we have been any more satisfied than the committee members with the method that Canada has so far worked out to consider adjustments in old age security since we first adopted it, but I think a system can be worked out. We agree it is parliament's responsibility. We think that the various parties can find a method, together with our civil service and perhaps an advisory council from outside. That would be the rational approach.

Mr. FRANCIS: You have no specific suggestion beyond the method we are comparing?

Mr. HOLMES: Not beyond what I have said, Mr. Francis, no.

Mr. FRANCIS: I am surprised at the lack of interest in supplementation on a test of needs or means. In an earlier presentation Dr. Willard said that no modern country, to his knowledge, had ever been able to devise a social security system in total that had avoided testing on a means, need or income basis, or some basis of resources to determine need.

I believe paragraph 16 of your brief comes very close to saying this. It says:

> The fundamental aim of a compulsory social security measure should be to provide protection for persons who specifically need help or for everyone in a population group where need is widespread.

The basic concern that worries me, and I am sure it worries many other people, is that when we go to the universal benefit program need is not pinpointed. We presume need in a general class and general category, whether the circumstances in the individual case warrant it or not, and I do have reservations in my own mind as to how far Canada or any other country can go on any other basis to presume need in a broad category and provide security without any test of individual resources. This does surprise me, quite frankly.

Mr. HOLMES: You realize what we have said to you in this area is that as far as we can see the universal uniform benefit approach comes closer to the meeting of unmet need among older people as a whole than the Canada

pension plan plus old age security. Actually, the latter tends to pay benefits to Canadians who have shown themselves able to look after themselves and to keep it away from others who, from the dominion bureau of statistics figures, seem to be in greater need. We would agree with you that Canada will not get away completely from assistance. We think the test is: Does our "payment as of right" plan, our community plan, keep this to as small a percentage of the beneficiaries as possible? We really think that the old age security approach has had that result.

We have tried to make a summary of these things throughout the world. There are seven or eight countries with plans and every plan is different, but I think you would find that under the social insurance approach, one that is related to income, there was a rather larger percentage of people in the older ages requiring some assistance than under the uniform universal approach. We have very good company in our universal uniform plan, and the number of countries which, having had a universal uniform plan, have put in an additional income related plan such as we are discussing are quite few; they constitute a very small minority.

Mr. RHÉAUME: Mr. Chairman, I want for a moment to get down to a different line of questioning.

Among the recommendations that Mr. Holmes' delegation has made, and in stating that there are serious gaps in the categories of people who will be assisted under the Canada pension plan, is the recommendation in effect to study where the poor people are and where they are likely to be ten years from now. I wonder if they feel that the institution of the Canada pension plan now will seriously obscure the fact that hundreds of thousands of Canadian people in poverty will get nothing. Is that one of their concerns? Are they concerned that by proceeding with this plan we will in fact postpone the essential study of where the needs are to be found in Canada today and where they are likely to be found. Is that one of your fears?

Mr. HOLMES: Well, we would hope that the examination of welfare needs would proceed as quickly as possible. But, we do find, when talking to people on the street, that they do not understand what is being proposed at all because everyone you speak to says that we must do something for our old people, and when they say that they are thinking of the present old people. However, there will come a shock of realization, a moment of truth, and whether this will speed up or slow down consideration of the overall problem I could not say. But, I do say that it would be very difficult to find a solution, a third plan, that would solve the problem after you have the two plans in operation. It would be infinitely better to look at the problem very thoroughly and hard-headedly before you go into the second plan. When you find the needs of the people do not fall into the pattern created by the second plan it is going to be extremely difficult to know where to go.

Mr. RHÉAUME: From the analysis you and your colleagues have done, in your opinion, is there general awareness on the part of the current old people and those presently widowed, disabled and blind, of the fact that they will benefit nothing from the Canada pension plan.

Mr. HOLMES: Well, we wish you would ask almost every witness that appears before this committee that question. As I told you we have just tried in our own personal way to make inquiries. We really do not think the people are aware of the situation. Of course, there is an awareness among some groups but it is not general.

Mr. RHÉAUME: From your experience, with this kind of thinking on the part of you and your colleagues is it your guess, or perhaps I should say opinion, that the lowest income groups are going to be those groups who

attempt to opt in, if I could use that expression, at $51 a month rather than wait the additional five years and qualify for the universal $75.

Mr. HOLMES: I am sorry, but I do not think we really have experience on this. It would be my personal opinion that the person who was finding himself in fairly easy circumstances at age 65 would postpone taking the benefit in order to get the $75 at age 70, and the man that was hard up would be inclined to take the $51. But, this is only a personal guess.

Mr. RHÉAUME: But, surely you have had sufficient experience with people who would take pensions here and now at lower rates rather than wait for the final payment that the mature policy might give.

Mr. HOLMES: Not really because when people come to us for an option, as you realize, a business concern does not really ask if they are very hard up or if they are comfortable; it is just a business transaction, and we really do not know.

Mr. RHÉAUME: But, what is your personal opinion?

Mr. HOLMES: I have just given my personal opinion.

Mr. LINNELL: Mr. Chairman, this information possibly is available in some of the insurance companies' records, but at the moment it is not available here. However, as I say, I believe it could be obtained.

Mr. RHÉAUME: The purpose of my questioning is to find out if, in fact, the people who are the hardest up will come in as soon as they possibly can in the terms of the new flat rate $75 a month pension and take it at $51 a month here and now rather than waiting an additional five years. Do you foresee a problem whereby hundreds of thousands of low income people at age 65 will, in fact, be receiving $51 a month and $51 a month only since this will be the same group which does not qualify for the Canada pension plan benefits by and large.

Mr. HOLMES: Perhaps Mr. Berry might answer your question.

Mr. BERRY: I have one observation to make which bears on this. It is our own experience that people who retire at age 65 generally ask us to integrate the present old age security benefit into their present pension; in other words, they take an increased pension under our option at age 65 with the understanding it would be reduced by $75 at age 70. I think it is fairly obvious, particularly for people in the low and moderate incomes, that it is not very sensible to have your income go up $75 at age 70 if you have an inadequate income between ages 65 and 70. We find a large proportion of them will take the integration and have a flat pension across the whole period.

Mr. RHÉAUME: In your opinion and in the opinion of your colleagues will we, in fact, be producing as a result of the facilities of this plan a class of poor old who are on $51 a month for life at age 65?

Mr. HOLMES: That is going to start to go up in 1968 with price levels, with a limit on it, and we have suggested the effect of this plan may be to increase the price before that starts. But we certainly feel that some of us will be receiving the maximum benefits from the Canada pension plan while some of our fellow members of the Canadian community who will be looking at the situation 10 years from now will be looking at it from the point of view solely of an income of $51 a month escalated.

Mr. RHÉAUME: Now, I want to return to the principle very briefly that I discussed yesterday. I am taking a page from Mr. Munro's book, who wanted to qualify paragraph 30 of your brief. I will ask you now, in the light of information we have heard in the last 1½ days, if we should not clarify the proposed statement of policy in terms of the pension issued by the minister in the house. The original statement was this: "The purpose of the government's proposed legislation is to ensure as soon as possible in a fair and practical way all Canadians will be able to retire in security and with dignity".

Now, in the light of the testimony, as Mr. Berry was asked to qualify the bonus system, could this be the properly qualified statement: The purpose of the government's proposed legislation is to ensure that wealthy Canadians will be able to retire? I am eliminating all the adjectives.

Mr. HOLMES: This is the purpose of the—

The CHAIRMAN (*Mr. Cameron*): Just a moment, Mr. Holmes. I would like to say, with all due respect, Mr. Rhéaume, that I do not think that is the type of question you should ask at this time. It is a hypothetical question, in respect of which you are asking an individual for his opinion. For instance, last night I picked up the Gideon Bible and looked at the first thing I saw was this: "This contains the greatest collection of myths, mysteries and superstitions of the fools men are". Someone wrote that in there. Whatever opinion one may have I do not think we are accomplishing anything by asking certain individuals, is this not really what the minister should have said.

Mr. RHÉAUME: The statements that the gentlemen have given us have demolished the actual use of these adjectives, "fair, practical, all Canadians, security, and dignity". In view of that, I am doing what Mr. Munro attempted to do to qualify that.

The CHAIRMAN (*Mr. Cameron*): You can do your own mathematics on it.

Mr. HOLMES: The trouble with your question is that the statement refers to the purpose of the government and I am not qualified to make any comment on the purpose of the government. I am a person who thinks that the purpose of all policies is a good purpose but that sometimes in a slightly technical matter the government may not quite foresee what a particular course of action may lead to. But, this is a statement of purpose. It came up yesterday in connection with our contention that Canada was looking at itself as a great big insurance company and that it was not looking at itself as a community, and we quoted the minister to show this was so.

Mr. RHÉAUME: Then I will change the question. Would you say this would be a safe statement: The effect of the proposed legislation—

Mr. MUNRO: I was quoting from the brief and not from any of Mr. Diefenbaker's statements.

Mr. RHÉAUME: On a point of order, surely if Mr. Munro can introduce a telegram from the minister and say her words are rock bottom and copper sheathed, and that the government is going to stand on them, I am entitled to introduce other statements and ask the committee if the effect of the plan, in fact, will be the converse of the statement given to the House of Commons in respect of what it was trying to do.

The CHAIRMAN (*Mr. Cameron*): You are entitled to come to your own conclusions but you are not permitted to ask the witness if he comes to the same conclusion as you do, if he does not want to make that sort of a statement. I think it is rather extreme to ask a witness to come into a direct conflict with a statement of policy made by a minister in respect of what the purpose of the act is. You may very well do that, having listened to the evidence. You could say that you have come to the conclusion that the minister, when she said that, was not saying the right thing and that she should have said something else. But, there is a proper place and arena for doing these things.

Mr. RHÉAUME: Will the effect of the proposed legislation be the converse or the reverse of a plan that would allow in a fair, practical way, for all Canadians to retire in security and dignity?

Mr. HOLMES: We have tried to describe to the committee some of our concerns about the effect of the legislation. That is really all I can say.

Mr. RHÉAUME: I will rest with that.

The CHAIRMAN (*Mr. Cameron*): Would you proceed, Mr. Knowles.

Mr. KNOWLES: Mr. Chairman, I expect it would be a fair statement to say that at this point we are indulging in a certain amount of repetition, and the only defence I shall make to my remarks is that I shall try to keep them brief. But, I would like to join with those who have expressed themselves to the Canadian Life Insurance Officers Association for their brief and for the way in which they have answered our questions.

Before I get to the other side of it there is one other thing for which I would like to thank the delegation—and I say this quite earnestly. I think they have done a good job in drawing attention to the gaps that will still remain in our social security and social welfare system even if we bring into being the Canada pension plan along with the other legislation that is on our books both federally and provincially.

The delegation has documented this quite well, and it has expressed very strongly concern for the people now over 70 who will not get anything out of the Canada pension plan and the people under 70 who likewise may not get anything out of it. I hope that whether or not we take the rest of the recommendations of this delegation as seriously as they would like us to, the committee will pay attention to the emphasis that the delegation has placed on the gaps in our social security. I am sure that other delegations who will appear before us in the next week or two will underline this fact. Some of them may be special interest groups, but at any rate I hope they will underline the fact that there are many people in our society today who have unmet needs, and they will still be unmet even after this legislation is passed, if indeed it is passed.

However, I must repeat—to come to the other side of my remarks—what I said when I had the floor on previous occasions, I regret very much that this delegation has not, in my view, given us any help with respect to the problem of doing something to provide adequate pensions for all our people. It is one thing to talk about social welfare, to talk about minimum pension schemes or benefits or allowances that help people in need—and I am proud of what we have done in Canada to move in this direction over the past few decades—but I think the thing that is unique, the thing that marks this kind of legislation as a turning point, is that we are trying to get into the field where, as a state, as a community, we accept the proposition that all our people are entitled not just to a subsistence existence in their old age but to pensions on an adequate scale. I think the facts are clear, that people have not been able to do it by themselves, that private pension plans have not done the job. It has not even been possible for workers to get themselves sufficiently organized to win it through collective bargaining; there are still a great many people for whom the only resources available in old age is what is provided by the state.

You have said quite clearly that you do not think we should regard ourselves in Canada as one great big insurance company. Well, I am not going to suggest we adopt that phrase, but I think there is justification for that concept; that it is part of the business of society to see to it that there are arrangements open to all our people to ensure themselves a decent and adequate old age security system. Mr. Chairman, I submit that the delegation has not helped us on this score.

I hear little mutterings about my offerings to be brief. I will accept the mutterings and I will forget the rest of the notes I have here because they are only a repetition of what I have said in the past, both yesterday and today. I will say again quite seriously that I am grateful to the delegation for what they have done in drawing our attention to the gaps in our social welfare program, but I do not think they have been any help to us at all with respect to this other concept of the state doing something about adequate pensions.

If they do come back, I hope they will try to be helpful to us on that score as they have been on the other.

Mr. HOLMES: Is this a question, Mr. Chairman?

The CHAIRMAN (*Mr. Cameron*): I do not think it is. You can make a comment on it.

Mr. KNOWLES: Perhaps I can meet that by asking: does Mr. Holmes have any comment to make about himself?

Mr. HOLMES: I do have a comment. We are stating to you that in your approach to this problem you referred to you should have stressed the word "all", all our people. To take the approach which only looks towards a part of the people will simply make our problem greater. I know that the total cost of providing something for all the people is more than the cost of organizing something for a smaller group. We are considering a scheme where the community undertakes something for part of itself. That is what is proposed. It is obvious that generally the cost of doing something for half the people is half the cost of doing it for all the people. It is obvious that if we make grandiose promises 30 or 40 years from now it will not get into this year's budget at all. This leaves a problem for some unfortunate future parliament. We have tried to stress as strongly as we can that in approaching the whole problem the word "all" and the idea of fair treatment for all should be kept in the forefront.

Mr. KNOWLES: May I ask a supplementary question? Does Mr. Holmes not believe that in the course of time a plan such as we have, a two stage plan for a flat rate on earnings benefits, will tend to cover most of the people? I am looking for example at your chart on page 15. If you admit that in 10 years 33½ per cent of all the people at that time who are aged 65 and over will have been covered by the Canada pension plan, and that includes people who are already over 70 and had no chance to get into it, is it not likely that in 30 or 40 years this will be the kind of coverage that will just about be universal?

Mr. HOLMES: The only answer is most, not all. When we look at the situation 10 years from now, which we think is much more important than 40 years from now, we just shudder at the small size of the fraction that will be assisted or helped.

Mr. BROWN: I think we should also recognize that even though the white portion of the chart is reduced by 1986 or 1996 or 2006, or whatever date you want to take, under the Canada pension plan as proposed there are going to be many people who are getting "negligible assistance". I say that advisedly because amongst the group who will be added will be the housewife who has withdrawn from the labour market on marriage at age 25 and has not returned, and who is getting a very small pension, not something that we can consider as adequate. It is a benefit, it is something under the plan, but, as Mr. Kilgour endeavoured to indicate, it is very much less than she would have received had she used her own initiative and her own funds through a private source, even using her own contribution without regard to her employer's portion.

Mr. MUNRO: She gets the survivor's benefit after her husband dies.

The CHAIRMAN (*Mr. Cameron*): We have been all over this several times before.

Mr. KNOWLES: I have one more supplementary question, if I may be pardoned for a moment longer. Granted that the Canada pension plan may not ever cover all people, but is it not a fact that it will cover a great many as something beyond old age security, whereas if we do not pass this plan,

if we go for the alternative proposed by the delegation, there will be a great section of the Canadian population which will never have for their pension purposes anything other than old age security? I refer to all those who are not in private plans, who are not in industrial plans. Is not your alternative still leaving all those people out in the cold?

Mr. HOLMES: I do not think so; they are in old age security. As Canada becomes more prosperous, old age security will distribute its prosperity to the older people more effectively than any other means we can see.

Mr. KNOWLES: I will now stop, Mr. Chairman. This is the difference between us—I am not satisfied old age security is enough; I want the benefit of the insurance principle for all Canadian people.

Hon. Mr. MCCUTCHEON: Have you figured out what the farmer will get, the adequacy of the pension he gets as compared to what his widow would get?

Mr. KNOWLES: I was discussing it with farmers a couple of weeks ago and they want it.

Mr. CASHIN: I had some questions to ask this morning but I think we have covered the field since.

Mr. BERRY: Might I make one comment on this? I think really down at the heart of the problem we are discussing is the choice between whether it is better to do something of this order, with its faults and gaps, on the theory that sometime in the future the picture will improve, or whether it is better to do something about the problem which is right under our noses today. If you go ahead with this, what are you going to do about all the people who are not helped by this? Are you going to wait for 40 years and leave them without further help? This is the choice you must make, because this is the heart of it: the principle that you can do something for everybody and catch all, or you can do something for part of the population and catch some and do most for those who have a better chance to do it for themselves.

Mr. CASHIN: Mr. Chairman, you asked me if I have a question. The hon. gentleman and myself have been having a few questions back and forth. I would like to say that I would hope in a civilized society we can do both; the problem of the low income group is not the adequacy of their pension only, but the fact that they have to live a lifetime at $1,200 a year. That is the problem I hope we can do something about, and I am glad to hear these gentlemen are interested in this problem.

The CHAIRMAN (*Mr. Cameron*): Mr. Lloyd is next, then Mr. Aiken, Mr. Gray, Senator McCutcheon, Senator Croll, Mr. Macaluso and Mr. Chatterton.

Mr. Osborne points out that a question Mr. Cashin asked this morning was not answered.

Mr. CASHIN: I did have a question.

Mr. HOLMES: I believe there were six points to it.

Mr. CASHIN: Yes.

The CHAIRMAN (*Mr. Cameron*): Perhaps we might have this information put in writing to be passed on to all members.

Mr. KNOWLES: Make it an order for return.

The CHAIRMAN (*Mr. Cameron*): It now is 25 minutes after three and we are trying to finish by four o'clock.

Mr. LLOYD: Mr. Chairman, before lunch I referred to my desire to have more information on the field occupied by private pension plans. Subsequently, and since we have reconvened, Mr. Knowles has summed up a conclusion that there still is a large number of employed people who would like to have the

opportunity to contribute to a pension plan on a wage related basis and who, at the present time, do not have that opportunity.

I wonder whether Mr. Holmes could supply from his association any kind of statistics which indicate the extent of your coverage in the field?

Mr. LINNELL: The Department of Labour in its recent survey of working conditions in industry, for 1963, published a great deal of information about pension plans that service companies or establishments with at least 15 employees, excluding forestry and government.

Mr. LLOYD: I understand that you are knowledgeable about these labour department statistics?

Mr. LINNELL: I have read that publication.

Mr. LLOYD: May I ask you whether you have seen the January 9 issue of the *Financial Post* which has a summation of pension plan patterns in Ontario?

Mr. LINNELL: No.

Mr. LLOYD: Have you seen it, Mr. Holmes?

Mr. HOLMES: I have not had an opportunity to study it.

Mr. LLOYD: This is on page 13 of the January 9 issue of the *Financial Post*; it is a Canadian pension conference report which is published in the *Financial Post*. In that report they refer to a survey by Ontario of its private pension plans and they draw certain conclusions. In a graph they show on this page that 49 per cent of the employed people in Ontario—males—are members of a pension plan, but this leaves 51 per cent who are not members of a pension plan. Do you have any quarrel with these statistics at all; is this correct? These are employed people; they are not farmers or self-employed people; they are not people who look for old age assistance. These are employed people.

Mr. HOLMES: I really feel that a question on this should be directed to the organization which obtained the statistics. There is another 17 per cent in firms who have a pension plan, but are not participating in the plan.

Mr. LLOYD: That is part of the 51 per cent.

Mr. HOLMES: There are various reasons for this. I did point out to the commitee yesterday that a large proportion of the labour force is in the young ages. We feel that the critical question at any time in this area is what proportion of the employed people, shall we say in the ages 45 to 65, or in the ages 35 to 65, if the committee wishes, are looking forward to a pension and a pension plan? We think this should be driven as close to 100 per cent as is possible.

Mr. LLOYD: Despite the vigorous and I should say the laudable efforts of insurance companies and others who are engaged in offering pension plans, they have been unable to convince a very large number of employers.

Mr. HOLMES: Had this diagram been made up 20 years ago or 30 years ago, it would have had a very small segment of plans. Canadian industry has been adopting pension plans rapidly during the last 20 years.

Mr. TUCK: May I add one point; this is not a contradiction to the figures. Of course, there are individual arrangements for retirement on the part of people who are not in plans; there is private provision for retirement in quite substantial numbers. It is very difficult to obtain any over-all figure, because there is duplication.

Mr. LLOYD: It is an inescapable and irrefutable fact that a very substantial number of employed Canadians are not members in a wage related pension plan in Canada, and despite all the references to the matter of old age assistance it is a fact that what we are dealing with is some measure to take care of that great gap; that really is what we are doing, is it not; you do not

quarrel about the effort to do something about that, do you, to fill the gap? I take it it is obvious you do not quarrel with it at all.

Mr. LINNELL: We do not quarrel with the fact that there is quite a large number of people still not in pension plans.

Mr. HOLMES: And that some effort should be made by somebody or by some body in Canada to fill the gap.

Mr. LLOYD: There certainly is a need to be met. Now, the National Trust Company made a study of Canadian pension plans and in its second edition on page 40 it refers to pension benefit levels. Are any members of your organization familiar with these three tables of benefit levels?

Mr. TUCK: I remember seeing it when it came out.

Mr. LLOYD: They break it down into three divisions; benefits based on final average earnings, those based on current average earnings, and those who use the uniform benefit plans. As I look at all three of these I find this is the kind of information which suggests to me there is inadequacy in the benefit in pension plans, which has been referred to by Mr. Knowles. For example, under the final average plans studied, there were 35 plans. In respect of the percentage each year, at the top was 2 per cent and of the 20 firms, only eight used that rate of calculating the benefit. Down at the bottom you find six firms who had one per cent; you find 20 firms whose multiplier, if you like, ranges from 1.5 down to one. Now, you have been making many references to federal government plans, and even plans to which the gentlemen here belong, indicating the relatively high or adequate pensions which you receive; but do these statistics which I am quoting suggest there are many plans where the benefits really are inadequate or inequitable? It is not your fault, mark you; this is the result of having to tell employers in respect of what they should do.

Hon. Mr. MCCUTCHEON: The worst plan you cited would still have a better benefit than the Canada pension plan.

Mr. LLOYD: If Senator McCutcheon wishes to become a witness I could question him, and I would welcome the opportunity to do so. I know he is well informed, but I would like him to be in a position when he is completely objective about his statements and not political.

Mr. TUCK: A one per cent plan does not have the liberality of a two per cent plan, but it does produce after 45 years of service a pension of some size, and these plans are being approved all the time. I venture to say that some plans in that study have been improved since that time.

Mr. LINNELL: There are many plans with different employers where the benefit is a percentage paid through the employer's contribution, and frequently in that type of plan the employee may contribute additional amounts voluntarity. Frequently the one per cent benefit is produced entirely through the employer's contribution.

Mr. LLOYD: In each of these different formulae for dtermining pension benefits you find the same ratio of plan at approximately the mid point. You fin the bulk of them in the lower range of benefit calculations. This suggests to me that we have to be extremely cautious about judging the adequacy of pension plans and not be merely taking the obviously good ones. Do you in your association, Mr. Holmes, have any statistical information which would show by earnings brackets the kind of pensions available to employed Canadians? Have you put together any statistics of that kind at all?

Mr. HOLMES: No, Mr. Lloyd. We feel we can only survey our own plans. We are a fairly small fraction of this pension business, which handles one quarter of the member of persons in plans. We would be delighted if this

committee would organize an exact examination of this whole question. We feel that this is the place where a study of that kind might be made.

Mr. LLOYD: I shall conclude with the observation that any judgment of the Canada pension plan will really not be a good judgment until the kind of information I asked for is made available to us. Is that correct? Your criticism of the Canada pension plan should be supported really with a statement of what you are accomplishing in this field, and you have not given it to this committee.

Mr. HOLMES: What we have called your attention to are more general statistics. They are statictics of the income position of older Canadians at the present time. We have tried to point out to you that the community of Canada looking at the factual situation of the present older citizens should be adopting a certain course. This is a much more general type of information and inquiry than the dominion bureau of statistics have obtained for pension plans. The ways in which Canadians within their own bailiwick prepare themselves for their old age takes a great variety of forms. These would be all looked at together in these studies of the income of older Canadians.

Mr. LLOYD: I have one final question. A lot depends on the voluntary effort of employers to provide pension wage related plans in Canada. Is this not so? I say that a lot depends on the willingness of employers to provide wage related plans. Of course you have to sell them on the idea.

Mr. HOLMES: Yes, there has been some, and we welcome effort by the government in the way of encouraging them to do this.

Mr. LLOYD: Thank you.

Mr. TUCK: I think however a survey of what people are getting through private pension plans is desirable but perhaps even more necessary is a survey in depth of needs, and we suggest to the committee that this survey of needs should precede a decision whether or not to go ahead.

Mr. LLOYD: I am surprised that you people have not done this before, yourselves.

Mr. AIKEN: My question relates to indexing as it concerns the problem of inflation. Perhaps Mr. Popkin would be the person to answer this, although I shall leave it open, because it arises from a statement he made yesterday.

When the subject was raised Mr. Popkin said that the mere objective of indexing was to have a mental or psychological effect on the public. The public felt that if the one section is protected against inflation, everyone else feels that he should also be protected. I would like to ask a more specific question: Is there any relation between purchasing power and old age pensions and the proposed Canada pension plan and inflation? In other words, how much of consumer spending would the Canada pension plan benefit represent? Would it have an impact on consumer spending in the immediate future or in the distant future?

Mr. POPKIN: We accept some implications in the economic report of the Department of Finance which has come out and said that the impact of the Canada pension plan is inflationary, and they have put some figures on it. Certainly as the plan matures it tends to have an inflationary impact in the sense that it adds more spending power or reduces the level of savings; this has an inflationary impact. I would like also to say that the economic report sets up three or four models of the effect of the plan depending on the extent to which contributions were shifted. Under condition three there was complete forward shifting. That is where the employee is able to shift the cost of the contribution to the employer either through increased wages or by the employer taking on the burden of his contribution, and where the

employer is able to shift his burden to the community at large through increased prices.

In the economic report this is regarded as possibly an extreme condition. The economic council of Canada's first report says that "strong demand conditions favourable to high employment and sustained economic growth may also encourage the rapid or persistent increase in prices."

If we accept the judgment of the economic council so that even without the plan there will be strong upward pressure, can we quote the statement of the Department of Finance that the plan will be inflationary and that there will be increased prices? I think we are entitled to say that condition three in the Department of Finance economic report where there will be more or less complete forward shifting of the burden to the employer would be a typical case rather than an extreme case.

A footnote of that model in the report says that "the substantial effects which follow the increase in prices and not dealt with in this simplified model." I would like to suggest that this committee should get the details of what the substantial effects would be, and that they might ask the Department of Finance or somebody else to fill them in on the price effects of the Canada pension plan under the economic conditions postulated by the economic council of Canada.

Mr. AIKEN: May I ask one further question: would it be fair to say that the indexing, that is the automatic increasing of the contributions of the pension, will in effect have the same effect on the cost?

Mr. POPKIN: We think indexing is the factor which does increase the inflationary impact of the Canada pension plan.

Mr. AIKEN: In a financial way and not just in a mental way?

Mr. POPKIN: Yes, in a financial way.

Mr. MUNRO: May I ask one further supplementary question?

The CHAIRMAN (*Mr. Cameron*): If you promise it will be a quick one.

Mr. MUNRO: Very well, I shall forget it.

The CHAIRMAN (*Mr. Cameron*): We have 15 minutes, Mr. Gray, and we have six people still to go.

Mr. GRAY: In order to supplement the answers which are going to be put in through Mr. Cashin, am I right in suggesting that we have in chart 1 the gross national product to which reference was made, and that it was the 1964 gross national product, and that the United States social security benefits to which reference was made would be those in effect in 1966, and that the Canada pension plan benefit to which reference was made would be those in effect in 1976?

Mr. DIMOCK: Shall we include these with the return?

The CHAIRMAN (*Mr. Cameron*): You may deal with this one.

Mr. GRAY: Would you agree with what I said?

Mr. DIMOCK: The gross national product per capita that we took is for the first half of 1964 projected of course for the whole year.

Mr. GRAY: Yes.

Mr. DIMOCK: For both countries.

Mr. GRAY: Yes.

Mr. DIMOCK: The maturing benefits to which reference was made in paragraph 18 are those which would be in effect in Canada in 1976.

Mr. GRAY: What about the United States benefits?

Mr. DIMOCK: The United States benefits relate to the benefits which would come into effect next spring, and if the congress sees fit to move in the way it was tending last summer, these would provide a benefit of as much as $215.10 for a couple. I think that is what it was.

Mr. HOLMES: Would you deal with the question of price increases?

Mr. DIMOCK: The U.S. benefit is based the recipient's wage history since 1950 excluding the dropout of five years. In other words, while the men scale would come into effect in 1965 the $215 maximum could not be qualified for in the United States for some years beyond 1976. There are several other assumptions to this chart. This gets back to the area of Mr. Cashin's questions. These are dealt with in the footnote to the chart. It assumes no adjustment in the Canadian benefits for price increases in the U.S. or Canadian benefits for changes in the benefit formulas.

Mr. GRAY: Why did you not use a projected 1976 gross national product?

Mr. DIMOCK: I have them right here.

Mr. GRAY: Why did you not use them in the chart?

Mr. DIMOCK: The United States projections were not available to me at the time this submission was put in, which was several weeks ago. I do have them now and I can read them to you if you would like me to do so.

Mr. GRAY: Put them on the record.

Mr. DIMOCK: You would find the picture changed in no significant respect and, in fact, the comparison is perhaps more favourable to Canada projected through to 1976.

The CHAIRMAN (*Mr. Cameron*): Will you send that information to me?

Mr. DIMOCK: Yes. I have the list of questions asked by Mr. Cashin this morning.

The CHAIRMAN (*Mr. Cameron*): Is that satisfactory, Mr. Gray?

Mr. GRAY: Yes.

Can the delegation explain to me why they are so opposed to having government provide earnings related pensions when the pension plans that they offer are based on the earnings related approach? Why is it right for you and wrong for government?

Mr. BERRY: I thought we had dealt with this, but I will try again.

In a private plan the benefits for each individual are directly related to his contribution, and the fact that they are related to his compensation is a direct reflection of the contribution which he makes. This relationship is not so in a scheme of social insurance.

You use the word "contribution" in a social insurance scheme, but it is quite a different kind of contribution from that in an individual scheme with a closed group.

In the second place, the contribution of the individual does not pay for his benefits in a social insurance scheme. In fact, under a plan of this sort there would be little or no relation between the contribution and the benefit, and the extreme case—as I said yesterday—is the man at age 55 who puts in $940 and takes out $1,250 a year.

Finally, because they do not bear this relationship, you are getting the money from somebody else, and in the government plan the amount of other people's money given to an individual is increased as his earnings increase. I think all these characteristics do not make very much sense for a government.

Mr. GRAY: Is it correct that in the Canada pension plan as proposed the fellow who makes the higher contribution gets the higher pension?

Mr. BERRY: Yes, but he does not pay for all of it. This is the great difference. I do not speak English very well—

Mr. GRAY: You speak it very well; I understand you all too well. If you would like to speak French I would be happy to accept your remarks in that language.

Mr. BERRY: If you do not pay all the cost, someone else pays for it. I do not see how you justify taking more of other people's money as the salary goes up. That is the basic principle we have been trying to explain.

Mr. GRAY: Does this not also happen in private plans? Do not the following three things also happen in private plans: When a plan is put into effect at the time when there are many people close to retirement and there has been a contribution by both the employer and the employee, the employer often provides paid up benefits to which the employee will have made no contribution?

Mr. BERRY: Yes.

Mr. GRAY: So he gets a bonus with respect to the years of credit for which he makes no contribution.

Mr. BERRY: Yes, which his employer has decided he has earned.

Mr. GRAY: Is it any different if you make the nation analogous to the employer and say that the nation, having been provided by a citizen with years of service—

Mr. BERRY: I do not think that is an analogy that holds water.

Mr. GRAY: That is your opinion.

Mr. BERRY: That is right.

Mr. HOLMES: I think this illustrates the principle. All you can ask in the Canada pension plan is this question: Is he aged 55? How much income is he receiving?

Let us suppose an executive has just moved over from the United States and has a good deal of past service in the United States and has credit for it in company plans and in social security. With the approach you have you cannot measure his past service. You just give him the additional benefit because here he is in 1966 earning more than $5,000 in Canada.

On the other hand, you have another person who is 65 and he may have been earning $10,000 or $15,000 for 50 years or he may have been earning $3,000 for 50 years. From Canada's point of view he has had a lot of past service, but you have no way in the Canada pension plan of assessing it; you do not give him anything.

Mr. GRAY: But not all the people covered are going to be executives who have moved from the United States.

Mr. HOLMES: No, but I was just illustrating a principle.

The CHAIRMAN (*Mr. Cameron*): It is five minutes to four and I still have five people on my list. Have you finished completely, Mr. Gray?

Mr. GRAY: I do not accept the assumption of the delegation before us that we do not intend also, as appropriate, to assist the other groups to whom they are referring.

The CHAIRMAN (*Mr. Cameron*): Senator McCutcheon?

Hon. Mr. MCCUTCHEON: I have no questions.

The CHAIRMAN (*Mr. Cameron*): Senator Croll.

Hon. Mr. CROLL: I pass.

The CHAIRMAN (*Mr. Cameron*): Mr. Macaluso.

Mr. MACALUSO: I have one short question to put to Mr. Holmes.

Will you look at chart I again which appears on page 7 of your brief and which deals with married couples. At the bottom it is assumed in the case of the Canadian couple that both take old age security at the same age. In the case of the United States program it is assumed that changes proposed last summer are in effect; a number of years would elapse before United States beneficiaries would qualify for the maximum benefits shown.

It is my opinion that right now this picture is distorted with regard to married couples because you are taking Canadian couples at the same age. I am putting it to you that this is based on averages where it shows the average wife as 2½ years younger than her husband in the United States and therefore in your Canadian figures, where you take husband and wife at the same age, you are increasing the benefits payable and thus increasing the benefits generally across the board. I am putting it to you that your chart here distorts the picture of benefits in Canada being higher.

Mr. HOLMES: I will ask Mr. Dimock to answer that.

Mr. DIMOCK: This question was not asked by Mr. Cashin but it is on his list, Mr. Macaluso.

Mr. MACALUSO: If Mr. Dimock can answer my question when he is answering Mr. Cashin's, that is fine.

Mr. CHATTERTON: I have a brief comment to make.

May I ask Mr. Holmes whether the government asked his association for a brief before this plan was prepared.

Mr. TUCK: May I mention the history of our comments to the government on this subject matter?

Our comments on social security were first made in a parliamentary committee in 1950, and you are aware of that. I think we were silent until around 1957 because there was no occasion for us to make any comment. At that time there was some talk by the then government and we made comments informally and by letter. In 1958 a commission was appointed—Dr. Clark's commission—and at that time we prepared an elaborate submission. Within about a year after that we prepared a little booklet of questions and answers on earnings related pensions versus flat pensions and we distributed it rather widely, and I am sure members of the government and many members of parliament became aware of our views at that time. I remember that in early 1963 we did make our views known in correspondence and in discussions with quite a few members of parliament of different parties. And, as soon as the new government was formed in early May, 1963, we sought out the Minister of National Health and Welfare, who gave us a good part of a half a day, at which time we elaborated our views in some detail. She asked us to prepare a submission, and we said we would. In the meantime, because we knew the submission would take some time, we did confirm what we had said in a letter to the minister, and then we prepared and distributed rather widely to members of parliament the submission of July, 1963 that Mr. Munro referred to. Now, I know I have taken a little time to explain this. Have I missed your question?

Mr. CHATTERTON: No. Carry on.

Mr. TUCK: You are wondering if we are coming with a new idea.

Mr. CHATTERTON: No.

Mr. TUCK: That brings us up to the summer of 1963.

Mr. CHATTERTON: The last submission you made was on the number one plan, the April plan.

Mr. TUCK: Yes, this was a submission before the minister's speech of July 18, 1963. It was based on newspaper accounts of proposals by the Liberal government. I believe a pamphlet was also issued and, of course, our submission stated the principles that we adhere to regarding this type of social security.

Mr. CHATTERTON: May I ask if it is true that the first time it was proposed you never saw the details of it or a bill but that there was some general discussion of it, and then the second plan, Bill No. C-75 was proposed and, of course, you know there is a major difference between Bill No. C-136 and the other plan?

Mr. TUCK: Oh yes, there are some very important changes.

Mr. CHATTERTON: But, you were not invited to present a brief on a proposal such as this.

Mr. TUCK: Do you mean before it was proposed?

Mr. CHATTERTON: Yes.

Mr. TUCK: We were not specifically invited to, no, but the government did know our views from our submission of July, 1963.

Mr. CHATTERTON: I think it is very important that this type of submission was not considered before the bill was drafted and before the commitment was made to the provinces that this would be the plan.

The CHAIRMAN (*Mr. Cameron*): Have you a question, Mr. Basford.

Mr. BASFORD: I would like to know what contribution the Canadian Life Insurance Officers Association is making to the Canadian welfare study in respect of poverty.

Mr. TUCK: I do not remember the Association being asked to contribute to that. There is a study or a conference on aging which the Canadian welfare council has organized, and they have asked us for help in that connection.

Mr. BASFORD: For your information, the Canadian welfare council is undertaking a very intensive study of poverty in Canada, covering the cost, effects, locations and so on.

Hon. Mr. MCCUTCHEON: Provided they can raise a substantial sum of money.

Mr. BASFORD: In view of your brief, I thought perhaps you had made some contribution.

Mr. TUCK: They have not asked us but perhaps they will.

The CHAIRMAN (*Mr. Cameron*): Thank you very much, Mr. Tuck. I think that concludes our deliberations as far as this delegation is concerned. But, if anyone has a question of major importance which they would like to put at this time I would ask that you do so now. Although I do not think that there are any further questions I just wanted to make that clear so no one would go away and say that they had an unanswered question.

I would like to take this opportunity of thanking Mr. Sharpe and Mr. Holmes, together with the other members of the Life Insurance Officers Association for their attendance here. I am sorry, did you wish to make a statement?

Mr. HOLMES: I am sorry, Mr. Chairman. I realize you would like to be through with us at 4 o'clock. But, it is the desire of your committee that our recommendations should be our final statement. However, we are in your hands. You may wish to relegate them to an appendix, but I will read them now, if it is your wish that I do so.

Mr. KNOWLES: Are you referring to page 26 and so on?

Hon. Mr. CROLL: We could put them in the record.

Mr. HOLMES: Yes.

Mr. KNOWLES: Mr. Chairman, this is an important part of their brief and even though we did put it in as an appendix yesterday I think we should put it in the brief today as if it had been read.

The CHAIRMAN (*Mr. Cameron*): We will take it as read and it will form part of the minutes of today's proceedings. The recommendations read:

VII. RECOMMENDATIONS

62. The following are the association's suggestions for amendment of the old age security program. The amended program would, in the association's view, serve Canada better than the proposed Canada pension plan.

63. The commencement age and the level of the old age security benefit can, and should, be adjusted as the needs of the aged require and as the resources of Canada permit. The proposal in Bill C-136 to lower the commencement age to 65 is welcomed by the association. However, a higher minimum than $51 a month can be justified for persons who have retired from employment. One way to assist in meeting the needs that exist would be to provide the following benefits, subject in each case to a retirement test before age 70:

(a) $75 a month benefit at age 65 to all single persons;
(b) $75 a month at age 65 to a husband whose wife is under 60; and
(c) $125 a month jointly to a husband and wife if the husband is age 65 or over and the wife is age 60 or over, subject to a reduction to $75 on the death of either spouse; the $125 to increase to $150 when the wife reaches age 70.

64. The importance of these proposals can be seen by applying them to the case of a married man approaching retirement at age 65 whose wife is age 63. This couple would receive the following old age security benefits under the present program, the option in Bill C-136 and the association's proposals in paragraph 63:

Monthly Old Age Security Benefits

Age	Taken at 70	Option in Bill C-136 Taken at 65	Association Proposal
65	0	$ 51	$125
66	0	51	125
67	0	102	125
68	0	102	125
69	0	102	125
70	$ 75	102	125
71	75	102	125
72 (and subsequent years)	150	102	150

65. Under the association's proposal the financial adjustment for this couple at the husband's retirement would be much easier than under either the present basis or the new option.

66. For a single person retiring at age 65 the comparison would be as follows:

Monthly Old Age Security Benefits

Age	Taken at 70	Option in Bill C-136 Taken at 65	Association Proposal
65	0	$ 51	$ 75
66	0	51	75
67	0	51	75
68	0	51	75
69	0	51	75
70	$ 75	51	75
71	75	51	75
72 (and subsequent years)	75	51	75

67. These changes in old age security benefits would cost, the Association estimates, an additional $300 million a year for Canada as a whole. This could be met by an adjustment in the present 4-3-3 tax formula or by a payroll levy. If financed by such a levy the rate would be considerably less than the 3.6 per cent rate in Bill C-136; it would probably be under 2 per cent.

68. There is another type of adjustment the association has considered but has not explored fully. It would involve stepping up the flat benefit by attained age, e.g., raising the $75 at age 70 to $80 at age 75, $85 at age 80, $90 at age 85 and so on. In the case of a great many older Canadians it is apparent that not only do their resources decline with increasing age but their living expenses rise. The decline in resources often results from the necessity to consume capital to augment income. The increase in expenses frequently results from illness or special care.

69. Some information indicating that income decline with age has recently been developed by the dominion bureau of statistics. More information is still needed, however, to determine the best pattern for an age adjustment (see appendix 2). The association recommends that this be obtained because if it supports the views herein expressed an important improvement could be made in old age security at a relatively modest cost. For instance, the current cost of the adjustment described in paragraph 68 would be less than $60 million a year.

70. For some time the association has advocated the provision of universal basic benefits both to widows and to the permanently disabled with dependent children. It believes that the provision of these through the proposed Canada pension plan is subject to the same critcisms as have been made of the retirement benefits in that plan. Tying benefits for widows and the disabled to an earnings record would fail to meet the principal needs that exist.

71. The proposal the association has made is that larger family allowance benefits be paid for children in families where the father has died and the mother has not remarried or where the father is totally and permanently disabled. The present family allowance benefits of $6 for children under 10 and $8 for those age 10 to 15 could be increased on the death of the father to, say, $30 and $40 at an approvimate annual cost of $35 million. The same increase in benefits for the children of totally and permanently disabled fathers would cost from one-third to one-half this amount. The youth allowances introduced in July, 1964, could be handled in the same way for a modest additional annual cost.

Mr. HOLMES: There are only two other things I would like to say. I would like to thank the committee for their courtesy in receiving us and for the frankness of the questions. I think the whole delegation would agree with me—and we would like to say this to all of you; it has no reference to history or anything else—that we do find, I think, it much easier to present our views in a situation like this, namely to a committee representing all parties. We hope that in this area, which is a most important one, that there will be some continuing study of this sort, to which we could make comments. We do not necessarily expect that the committee always will agree with everything we say but in the intervals when there is no such a committee you realize that our only alternative in most cases is to talk to the government of the day.

The only other thing I would like to say to you is this. If you wish us back at a later time we are quite prepared to come. Thank you for giving us the opportunity to express ourselves.

Mr. MUNRO: Mr. Chairman, I know you are going to make some remarks but I would like to move a vote of thanks at this time to the Canadian Life Insurance Officers Association for their graciousness in staying with us for two days in order to answer our questions. I would just like to give this indication of our approval.

Mr. MONTEITH: I second the motion.

The CHAIRMAN (*Mr. Cameron*): You have all heard the motion; would you signify the usual way.

(Applause)

The CHAIRMAN (*Mr. Cameron*): Mr. Sharpe, Mr. Holmes and all the members of the Canadian Life Insurance Officers Association, I am sure it gives me a great deal of pleasure to pass on to you this motion of thanks. We do appreciate your attendance here and I know we will benefit a great deal from the opinions and the facts you have laid before us.

Mr. SHARPE: Thank you, sir. I will be delighted to pass on your expression of appreciation.

The CHAIRMAN (*Mr. Cameron*): Ladies and gentlemen, Mr. Watson has now arrived at the head table.

Mr. Watson is a fellow of the society of actuaries. He has prepared a brief and you all have received a copy of it.

May I say to you, Mr. Watson, if it meets with your approval, we would like you to give a summary of the brief, as complete as you think it should be, your recommendation in regard to the Canada pension plan, and then we would appreciate it if you would make yourself available for questioning by members of the committee.

Mr. G. M. WATSON (*Fellow, The Society of Actuaries, 27 Bayview Wood, Toronto, Ontario*): Thank you, Mr. Chairman. Ladies and gentlemen, I appear before you as an individual. I have been listening to this delegation to which you have been listening to. I am a simple citizen; I am a constituent with some knowledge in this field.

Mr. BASFORD: Mr. Chairman, if I may interrupt, I think the witness should be asked to sit down, unless he prefers to stand.

Mr. WATSON: I have prepared a short brief and I will try not to be too tiresome about it. I hope you have read it because it makes a few points. In particular, it takes a slightly different point of view from the previous delegation principally because, as I make the point on the first page, that after the act has had two readings in parliament and was unanimous I am not going to come here before you and explain why that is incorrect. I have to start with a premise that this is obviously a very fine measure, and then try to determine how it can be rationalized in the framework that we have in Canada.

Now, the first point I wish to make is that in my opinion this plan is not a plan to provide welfare for the aged; it is rather a pension plan. And, I have used that phrase, "a pension plan". I make the point that evidently members of parliament feel that everyone in Canada should be covered by a pension plan if he is able to make a contribution.

Now, I go on to say if that is the case it would seem to me that pension plan should be self-supporting, and I deplore the fact that the rate of contribution that is specified in the act will not provide a plan which is self-supporting. In fact, from 1985 and on it will require a higher rate of contribution if we are to rely on the estimates of the chief actuary.

It seems to me it would be much better indeed if we could determine now a scale of contributions that would bring out the fact that 1.8 per cent is not in itself sufficient to support the benefits for an unlimited period of time. That is the first point, that I would like to see a plan, if this is the action that will be taken, that will stand on its own feet, considering the present population as a group. I developed this point in some detail.

I now come to the second point which I wish to make. If you will pardon me, I brought some pictures with me simply because I thought they might dramatize a little bit what I want to say on this point. I am making the point that the Canada pension plan, as the previous delegation has stated, does not adequately classify itself as a welfare plan in the sense that it looks after the needs of the people. I drew an analogy here. If you wanted to extend the parliament buildings so as to introduce additional quarters you would perhaps call in an architect. I have drawn here a picture of the parliament buildings

to illustrate the analogy to old age securty. This is a sort of flat benefit, and it is very well designed. It is something of which we have been rather proud in the community of nations, and it is attractive. As time goes by we will want to add to it; we will want to supplement it. We want an earnings related plan which is modern and has additional benefits. I thought of the expression of the earnings related towers which have little balconies at the side which represent the dependant's benefits. It also has other features, for example, you notice it only has two legs because it is not self-supporting. Undoubtedly it has within it escalators instead of elevators, but that is not shown in this diagram. Gentlemen, though there is some dismay in certain quarters at that kind of program, it is a perfectly valid program by itself, there is nothing wrong with it. If it had two more legs, in 20 years' time it would fall over like the leaning tower of Pisa. However, if it had one more leg, it would stand up. If you integrate it with your present architectural scene in Ottawa, you get what I might call a monstrous result. It is this monstrous result that has caused much of the evidence that you have been listening to the last two days.

All I wish to say to you is that it is undoubtedly satisfactory to have such plans, but please do not pretend they are integrated, because they are not, and please make the Canada pension plan self-supporting.

I only have two more points to make: One is that in 1908 we did exactly that. You wished everyone to have pensions so you organized the government annuities branch, and that was on a voluntary basis. It happens that in Great Britain a similar voluntary plan was instituted and as the years went by it became evident that a voluntary plan was not sufficient. And so, at this date, you wish to introduce a compulsory plan. I am merely suggesting that if you wished to tidy up the scene as you proceeded along, you should have eliminated the government annuities branch because it no longer covers the purpose for which it was conceived in the early days, and the Canada pension plan will take over.

My last point has to do with the economic report. I am not an economist; I cannot claim any skill in that particular field, but I feel that it tends to underestimate what I regard as the most serious implication of the Canada pension plan, taking into account all the things we have said, to make it self-supporting and consider it for what it is. It is not a welfare plan, it is simply a compulsory statewide pension plan. If that is the case, I think the great danger is that we will see a diversion of considerable sums from the private investment sector to the public sector. It is that fact which worries me as an individual very deeply. That is the reason I am here today, because I am most concerned with that diversion and what it will mean to the economic life of this country.

If you read the economic report you will see, at page 413 of your evidence, a statement which I myself cannot understand. It is possible that Mr. Bryce—if Mr. Bryce wrote the report—can defend it, but he seems to minimize the possible diversion of the contributions from the private plans to the Canada pension plan. I personally think that the diversion will be very much bigger than he shows it. In those circumstances I am urging this committee to take a harder look at the economic report for the two reasons I give in my brief. I believe it has tended to minimize the diversion. I would be very interested to see what an outside economist would say, someone who is not in the government and who does not feel a loyalty to try to minimize and defend the actions of the government, because I am afraid this very serious matter is minimized by some of the figures and some of the language used.

I can talk a lot longer but I think we have heard a lot of talk this afternoon, and 17 minutes is not too bad.

The CHAIRMAN (*Mr. Cameron*): May I have a motion that Mr. Watson's brief be incorporated in the minutes to these proceedings? It is agreed.

Mr. WATSON: I will not release these pictures.

Mr. MONTEITH: I think they should be on the front page of the local papers.

The CHAIRMAN (*Mr. Cameron*): On my list I have Mr. Lloyd, Mr. Cashin, Senator Croll, Mr. Côté, Mr. Francis and Mr. Aiken. Mr. Lloyd, you are first.

Mr. LLOYD: Mr. Watson, on page 2—perhaps you clear this matter up in later parts of your brief—you say that "we can agree at the outset that the old age security plan is a welfare plan designed to meet the subsistence needs of the aged". Are you aware that the ministers of national health and welfare have consistently pointed out the old age security plan was not designed to meet the subsistence of the aged; it is an assistance but it is not designed to meet their subsistence needs. I think you more or less brush over that later on.

On page 4 you consider it "improper" to develop a pension plan which proposes to provide benefits on a basis of contributions which will not support those benefits. You then say "considering the present covered population only". Why is it necessary to measure the validity of the Canadian pension plan with respect to the present covered population only?

Mr. WATSON: This is a personal opinion, and I am trying here to understand what the House of Commons had in mind when they voted unanimously for this. I am trying to justify it, to find a rationale. I feel that if a body which represents the present population has enacted to give benefits to the present population, that should not carry high liabilities for the children and the grandchildren who will have to actually pay for that. That is just my personal opinion. I think we ought to be men enough to stand on our own feet and pay for it. I personally enjoyed the situation when I went home, after hearing the minister in Toronto explain that the Canada pension plan was merely a device whereby the children would pay for the fathers. I explained to my son that finally I was going to get some money back from him after all those years. I then worked it out and I found that he was getting money as well as I was. This is what disturbed me and this is what is disturbing me. This present plan is very much better than the first plan, but I just want to quote one figure which I think is relevant, and you will then see what I mean. I worked out some calculations for a man aged 40 in terms of what it means to him at the age of 40, assuming he is married and leaving the children out of it. I worked out the present value of the benefits that he and his wife could expect. I am assuming his wife is five years younger. The present value of the benefits less the present value of the contributions that he can expect to make, assuming a rate of 1.8 per cent and a rate for his employer at 1.8 per cent—adjusting for the employer's contributions as well as the employee's contributions—that difference is over $3,500, that is without allowing for the value of the disability allowance.

Mr. CHATTERTON: At what salary?

Mr. WATSON: That is for an individual making over $5,000. I do not want you to think that I am 40 years old, but I took the age of 40 because it seemed to me that this might very well be an average age. It is the sort of age we run into in pension calculations as being the average age. I am just asking the question: Why should we feel that such a person should be bonused to that extent? I have not found an answer to it.

Mr. LLOYD: What would we do, for example, with old age security. Everybody contributes to that?

Mr. WATSON: I am not referring to a welfare plan; I am referring to a pension.

Mr. LLOYD: Finally, I would like to pursue this question a little further. I refer to your illustrations; I found them most interesting and very instructive. I think finally you put together what looked like two boot legs in one corner and a black leg in the other.

Mr. WATSON: This is a $600 stilt.

Mr. LLOYD: In the case of private pension plans it was necessary, because of the trust relationship of private entrepreneurs, that they invest funds received from the contributions to meet their actuarially calculated liability. In the case of a government supported leg being put in there, there is substituted not investment on an actuarial basis but the power of the government to raise revenues. I lead you into this because I would like to have the benefit of your observation in more detail in respect of why you think this is not a good substitute—the two legs that are going back in which really are the powers of government to raise money to meet calculated future liabilities.

Mr. WATSON: I had anticipated that question. My feeling is certainly the government has that power and could fill in the balance.

Of course, in Great Britain it is filled in by government; government has undertaken to fill it in to the extent it is deficient. However, as I understand this legislation there is no provision in this act that government will make up any deficiency; it will have to be the rate of contribution which has to be changed. Therefore, I am looking at the rate of contribution and I see—assuming the chief actuary's assumptions are valid—at the end of 20 years it will have to be increased. At the end of 20 years a man even now under the age of 45 will have to contribute more than I will, and the fact that government has taxing power is irrelevant because government is going to merely increase the contribution rates.

I would like to digress a minute off the record. I have forgotten a very important point about this diagram. You will observe, Senator Croll, that it has two flags; it has one on this and this, and you can change them about, depending which government is in power at the time. I am sorry I omitted that.

Mr. LLOYD: I take it that what you really are saying is you would prefer that the liability for pension benefit be supported by an actuarial fund of investments?

Mr. WATSON: No; I am not saying that. I am saying I would like to see a higher rate of contribution which would make us all feel the plan is self-supporting for the present population; but if for some reason or other that was thought to be impossible, at least I would like some part of the act to specify that at the end of X years the rate would be increased to such and such a percentage in the same way as the United States house of representatives has introduced an act to specify precisely the rate of contributions that will be required in future years.

Mr. LLOYD: Finally, may I sum it up in this way? You are saying in essence that you do not want to see the future funds that may be required to meet the liabilities come from taxation, and you say they should continue to be drawn from the wages within the framework of contributions.

Mr. WATSON: I think that is what they are going to do, but I want to be sure it is understood by the people, because in integration with private plans you must recognize that as I say people under the age of 45 will have to contribute more than 1.8 per cent.

Mr. LLOYD: Will this depend on an expanding population which the economists are forecasting? Have you studied this?

Mr. WATSON: I cannot say I have studied it exhaustively, but the calculations I have made would indicate an increasing contribution would be required, if we just take the present population and follow it through.

Mr. LLOYD: But the economists are forecasting an expanding population?

Mr. WATSON: Yes. You can see from the actuarial report it still will be required.

Mr. CASHIN: In the second last paragraph you define a welfare plan as a measure designed to assist the aged, and you contrast this with a pension plan. Is not a pension plan designed to assist the aged?

Mr. WATSON: It is the word "assist". I am trying to get some term we understand. I think of a pension plan as something where contributions are made by the employer and the employee and there are benefits. This act does not provide for contributions by anybody else; therefore the employer and employee together are making a contribution for the purpose of the employees, and their dependants, and so on, I can see no difference between that and any other pension plan which might be arranged privately or with a trust company, an insurance company, or any other. I cannot see the difference. A pension plan is distinct from a welfare plan in that there is little or no relationship, in a welfare plan, between the benefits received and the contributions made.

Mr. CASHIN: On page 3, near the bottom of the page, you refer to normal actuarial standards. Are these normal actuarial standards ones which relate to private insurance or actuarial standards which apply to social insurance?

Mr. WATSON: Either way; it does not matter. I was thinking of any actuarial method which would produce a result so that you could say the plan is self-supporting. I really was referring to techniques. The technique that is used in this actuarial report simply is an attempt to forecast what the future costs are going to be, and then assume that future generations, my son, your son, and their sons, are going to pay for it. I know my son is not; I don't know where he will go, but I know he will not because I know him by reputation.

Mr. CASHIN: I am glad to see on page 5 that you at least have attempted to do something that the previous brief did not attempt to do; you have talked in the context of a Canada pension plan, and if we are to have one you have made some suggestions in respect of how you think it can be improved. I, personally, welcome that approach much more than the previous approach. I would like to ask you one thing which always has bothered me. How do you account for the fact that statements by a society which historically has been relatively well off always are very concerned about the well-being of future generations when they are not so concerned about the well-being of the people who are not, themselves, at the present so well off?

Mr. WATSON: I do not know whether you are referring to me, former President Kennedy, or Lyndon Johnson, but they all are much more concerned about it than I am. They have their reasons and I have mine. I feel that the delegation you have heard is concerned that there will not be eventually a third plan to fill the gap. In other words, it would get rather cluttered if we had a government annuity branch, an old age security, a Canada pension plan, and something else. I think it is a legitimate expression of an expert opinion that there are people in the business who are not going to be covered by this plan.

I am not attempting to argue this because, as a citizen, when the House of Commons votes on something unanimously, I certainly do not have the temerity to come here and argue the point.

Mr. CASHIN: The expression, because all men cannot be redeemed does not mean that no man can be redeemed, occurs to me. Would you accept that? That is all.

Hon. Mr. CROLL: Following Mr. Cashin's question, you do appreciate that we who are in parliament constantly are concerned with the problem of welfare, so when you say the gentlemen who were here before were con-

cerned, I think you heard them say the last time they appeared before a committee of parliament was in 1950.

Mr. WATSON: That was the last time there was such a committee.

Hon. Mr. CROLL: Certainly that is the last time there was a committee, but is that the only concern one has?

Mr. MONTEITH: They have presented other representations.

Mr. WATSON: They have done the best they could under the circumstances, senator, and so have I.

Mr. LEBOE: Is there not a difference between the concern of a corporation or a society; I would think there is a difference.

Hon. Mr. CROLL: What I am getting at is how did they show their concern by merely showing it today?

Mr. WATSON: There was concern.

Hon. Mr. CROLL: On page 8 you say there was a royal commission recommendation in respect of annuities. I cannot remember it.

Mr. FRANCIS: The Glassco Commission.

Mr. WATSON: I believe, senator—and I did not take the time to check this—it is correct to say that the Glassco Commission recommended that the government annuities branch should be discontinued.

Hon. Mr. CROLL: I think you are right on that.

Mr. WATSON: And no action has been taken. I think it might be a very interesting point to follow, because I do believe that on the rationale that I have given these two things are very similar. In 1908 this was thought to be a very forward step, as it was in Great Britain. In 1965 Great Britain however has changed from voluntary to compulsory, and so are we. But let us tidy it up as we go.

Hon. Mr. CROLL: You appreciate the obligations are there for the annuities to the extent of years and year.

Mr. WATSON: I would close it off.

Hon. Mr. CROLL: Of course, but I would not put any bets on that, if I were you, about closing off annuities, because you would hear from quite a few people. But with respect to terminology, you refer to a pension plan and a welfare plan and you used these terms. You do appreciate that governments are not in the pension business as governments.

Mr. WATSON: I am sorry, but you are in the pension business as soon as this act goes through.

Hon. Mr. CROLL: That is exactly what I thought you might say, that we are in the pension business. But my point is this: I want to state clearly that we have been in the welfare business a very long time and we are still in the welfare business, and we look upon the pension plan as being a part of the welfare complex. That is our view.

Mr. WATSON: I have a picture to show you this.

Hon. Mr. CROLL: No, no. That is your picture.

Mr. WATSON: I refuse to accept that. I cannot believe that you would do that to the houses of parliament.

Hon. Mr. CROLL: Let us forget about the houses of parliament and deal with the pension and welfare plan. We have many welfare plans in the country today, to which some people contribute a great deal while others contribute very little. Is that not correct? It must be so. But if in the same context you look upon this as an extension of our welfare plan, merely another

extension, some will contribute more and others contribute less. Some will be covered, and others will not be covered.

Mr. KNOWLES: Surely it is getting us into the pension business. That is what is good about it.

Mr. WATSON: Welfare plans always have a government contribution and I cannot see any government contribution in this one.

Hon. Mr. CROLL: Let us assume there is no government contribution in it at the moment.

Mr. WATSON: Oh, at the moment; that would satisfy me if the evidence would say that.

Hon. Mr. CROLL: Do you know of any plan which was ever put in our statute books which has remained frozen?

Mr. WATSON: No, sir.

Hon. Mr. CROLL: What makes you think that this will not change in time?

Hon. Mr. WATSON: I am getting some of my answers.

Hon. Mr. CROLL: What makes you think so?

Mr. WATSON: I just read the act.

Hon. Mr. CROLL: But other parliaments may have different views and may change it if it needs changing.

Mr. MONTEITH: In other words, they will make up the deficit.

Hon. Mr. CROLL: That is what parliament is here for.

Mr. WATSON: I just knew that my son would win in the end.

Hon. Mr. CROLL: Whether your son knows it or not, that is the case. Let me deal with what Mr. Knowles said when he said that we are in the pension business.

Mr. KNOWLES: When the bill passes.

Hon. Mr. CROLL: The pension is still not our business. Would you agree that the pension is one of the methods of obtaining for the people a better way of redistributing the wealth of the country, rather than to have no pension business, or do you think we are in the pension business?

Mr. WATSON: I do think you are in the pension business. In fact I know you are, whether you realize it or not.

Hon. Mr. CROLL: Do you think it is a good business to be into?

Mr. WATSON: I shall answer your question in this way. A few weeks ago we heard a very reputable research scientist say that there would be a cure for cancer before we got to the moon. Now, if there is a cure for cancer, then I am glad you are in the business, because it will cost the business an awful, awful lot of money.

Hon. Mr. CROLL: It cost the companies a lot of money, but for what?

Mr. WATSON: For existing annuities, and the government annuities branch, and the Civil Service Superannuation Act. I am all in favour for a cure for cancer because it could be personal.

Hon. Mr. CROLL: Are you opposed to this other measure that you just mentioned?

Mr. WATSON: No, I say that I think it might be a good thing to see the government in that business, but I will not say that you are going into that business.

Hon. Mr. CROLL: I might say that we are in it, but after seeing the men who were here yesterday and after listening to you I feel it is a business in which a guy could make a buck.

Mr. WATSON: That is what I thought.

The CHAIRMAN (*Mr. Cameron*): Are you through Senator Croll?

Hon. Mr. CROLL: Yes.

The CHAIRMAN (*Mr. Cameron*): Now, Mr. Côté.

Mr. CÔTÉ (*Longueuil*): You mentioned before in answer to Mr. Lloyd that you are very concerned that this plan should stand on its own feet, and you mentioned also at page 5 as follows:

> I think it would be much better if a rate of contribution was established which would guarantee the continuance of the plan for a much longer period than 20 years.

Could you say how much longer? Is it indefinitely?

Mr. WATSON: If you look at the actuarial report you will see that at 1985 the pay out will be, I think, 3.6 per cent or thereabouts, and following that year it will increase. Now, unless there is an increase in the rate of contribution in 1985 the plan will start to fall, or the fund will start to fall. Mr. Lloyd earlier had an issue of the *Financial Post* dated January 9, in which you will see a diagram, which is a very instructive one, showing how the plan reaches a peak and then goes down again.

Some people have come to me and asked—and these are simple people that I would be talking to in an audience to which I was speaking—if I thought that eventually the result would be that the Canada pension plan would end up the same as the unemployment insurance fund. I assured them of course that nothing of that kind could be possibly thought of. But unless you somewhere make it clear that it is envisaged that an increase will be made at the end of 20 years, I am afraid that will be the impression that anyone will get. That is all I am trying to bring out in this brief, in the best way I can.

Mr. CÔTÉ (*Longueuil*): Is it possible to establish a contribution rate which will prevent this from happening?

Mr. WATSON: Yes indeed; the chief actuary could give it to you. I hope he does not hear me because he is being asked to do many things. But I am sure he could compute such a rate.

Mr. CÔTÉ (*Longueuil*): In that same paragraph you go on to say:

> I would estimate that such a calculation might produce a result of approximately two and one half per cent instead of 1.8 per cent. From the standpoint of equity, a higher rate of contribution now would be much more desirable than leaving this to a later generation.

Do you believe it necessary to build up a larger fund than is at present contemplated?

Mr. WATSON: My basic concern is to indicate the probable pattern of future contributions, that is basic. If you should decide that you want to indicate that at end of 20 years the contribution rate should be increased to two and one half per cent, for example, I would think that would meet my objection. But it is an unfortunate result that those people in the population under the age of 45 would be asked to contribute more money than those over the age of 45. I say unfortunate. I do not know how unfortunate, but they at least would get some money from young people, which I say without making further reference, because you can see I am interested. But that would be better than nothing, and it face a new problem for the future. I was taking political ramifications into account as probably the best that we can expect.

Mr. CÔTÉ (*Longueuil*): Do you think that the rate of contribution should not be increased now?

Mr. WATSON: I would like to see it increased now, but as a second choice I would like to see you come out and say that at the end of 20 years it would be increased to "X" per cent, and I will tell you why. First of all, I think the average person in the population will respect that as being a mere facing up to the liabilities of the future. Secondly, in the integration of private plans today we have to take into account the probable future rates of contributions. We just cannot integrate present plans along the lines of the Public Service Superannuation Act and create all this magic when in fact it is not magic at all; it is ignoring what is going to happen after 20 years.

Let me put it in another way. I can take any pension plan with a normal rate of contribution, say 5 per cent, and I can integrate it with the Canada pension plan in such a way that I produce total benefits which are greater and total contributions which are less, and I can make everyone very happy in every firm. I can even make the employer happy—but I am not going to explain that to you because you would want to change something. I can do it, however, and the only reason I can make them happy is that I do not tell them what happens after 20 years. It is all tied up with that.

Mr. AIKEN: It is like writing off too much depreciation.

Mr. WATSON: You have your figures of what is going to happen in the Public Service Superannuation Act and you saw the magic. But there is no magic at all because what they were not facing up to was what would be the rate of contribution after 20 years.

Mr. CÔTÉ (*Longueuil*): Let us suppose we would increase our contribution rate. If it were now at 2½ per cent would you ask us to make provision for 3½ per cent in 40 years?

Mr. WATSON: If you look at the projection in the chief actuary's report you will see that it will go for quite a long while after 1985 at 2½ per cent. I would not dream of trying to project it any further than that because we are not that clever really.

Mr. CÔTÉ (*Longueuil*): You would not try to project it further than the 20 years?

Mr. WATSON: No. If you increase it from 2½ per cent—employer and employee—at the end of 20 years you will see that it would stand up for another 10 or 15 years, or maybe longer, a very considerable number of years, so much longer that none of us here would have to worry whether it was right or not, but at least we would have faced up to our present responsibilities. I am not speaking of some extreme period in the future, but 20 years is not very long.

The CHAIRMAN (*Mr. Cameron*): Have you a supplementary question, Senator Croll?

Hon. Mr. CROLL: Mr. Côté was asking the question I was going to ask.

Mr. Watson, do you remember the time when an attempt was made to increase the extent of annuities by a bill, when there was opposition to it—perhaps half a dozen years ago?

Mr. KNOWLES: Fifteen years ago.

Hon. Mr. CROLL: All right, perhaps 15 years ago.

Mr. WATSON: To increase what? To increase old age security?

Mr. KNOWLES: No, government annuities.

Hon. Mr. CROLL: You remember the opposition to it?

Mr. WATSON: Yes.

Hon. Mr. CROLL: You remember the arguments used at that time, which were exactly the totals for the arguments used in 1908 against putting the

Annuities Act into effect, and in the course of time there was need for some subsidization. Do you remember that? It was in the red to some extent.

Mr. WATSON: Yes.

Hon. Mr. CROLL: And the annuities branch is in existence and has been continuing to stay in existence, and everyone is quite happy about it.

Mr. WATSON: I am not, Senator Croll.

Hon. Mr. CROLL: I did not think you would be.

Mr. WATSON: Senator Croll, my point is simply this. When the government annuities branch was organized that put the government in the pension business. Now you are doing something else. You are moving out of that and into this—

Hon. Mr. CROLL: You are saying we are now in the pension business with both feet?

Mr. WATSON: It is as if your sales were not sufficient so you were going to make it compulsory because you have some magic which private concerns do not have. It is the same. You are making the sales compulsory rather than voluntary; that is all, only it is a little better because this time you are projecting it and trying to make it stand on its own feet whereas in the annuities branch you do not face up to that responsibility.

Hon. Mr. CROLL: But the government's liability is not the same as that of the private firm. You have to balance your books year in and year out, and governments do not work on that basis and never have.

Mr. WATSON: I simply mean that if you took no more business from that source you would have a tremendous pay out over the next 70 or 80 years. You would have a tremendous pay out even if you stopped today. The present value of all that pay out is your liability, whether you like to accept it or not. I think perhaps you take it into the public debt, but I would not swear to that.

Hon. Mr. CROLL: Do we?

Mr. FRANCIS: Yes. There is over $1 billion in the fund.

Mr. KNOWLES: There is no cash in the till.

Mr. FRANCIS: There is credit.

Mr. WATSON: It is perfectly valid. It is a liability. I say it is a good idea to discontinue it because there is no relationship between the benefit you receive and that liability.

Mr. FRANCIS: No, I am not sure about that.

The CHAIRMAN (*Mr. Cameron*): You are next on the list, Mr. Francis.

Mr. FRANCIS: Mr. Watson, I tried to compare your submission with the one that preceded it, and it seems to me the big difference is in the funding.

Mr. Brown was very specific. He wanted the pay as you go and he did not believe in a fund. As I understand your submission, this is your major difference from their submission: You would not only fund but you would fund to a greater degree than the present bill would do.

Mr. WATSON: I am trying to be a realist, Mr. Francis. I say here we have an act and it receives unanimous approval, so I am not going to argue with it. It is not that I want it; it is that I have got it. Having got it I say let us face up to what it is and put another leg or two under that building.

Mr. FRANCIS: I appreciate that as an actuary you know more of this field than do most of us here.

Let us look at a public plan as against a private plan. There are a number of statements in your brief to the effect that a public plan must be the same as a private plan in respect of funding and so on. But it is not the case when you go to a public plan that you have an unlimited life, you have a very definite

body of contributors over a longer period. There are factors which limit the actuarial techniques of projection. You have to predict the greater growth of the labour force and make some guesses on price changes and on participation of the labour force, and whether married women are going to work to a greater or lesser degree. You have to make assumptions in population changes. You have a greater range of unknowns. Is this not so?

Mr. WATSON: I feel if you took a substantial private plan such as that of the Canadian National Railways or the civil service plan you would have essentially the same elements. You have new people coming in and you have people leaving the force. You have to predict future salaries. I know of nothing in the civil service plan that is not in this country-wide plan. A difference only arises when the government agrees to make a contribution. Then there is a difference, because then there is a third party.

Mr. FRANCIS: Is there not a difference in the nature of the guarantee that the government can give? Canadian National Railways cannot give the guarantees that the government of Canada can give, with all due respect, in terms of continuation of the enterprise over a long period.

Mr. WATSON: I must say that my whole brief has been based on the principle that this act is based on contributions from employees and employers and no one else, and that is exactly the same as any large employer.

Mr. FRANCIS: May I put my question in another way? At the age of 70 we offer $75 a month to everyone who has met a residence requirement in Canada. What is the present value of $75 a month at age 70? Do you have any approximate figure?

Mr. WATSON: It is probably ten times the annual pay out. What is that—$9,000?

Mr. FRANCIS: Does it worry you that there is no funding in respect of this? Does it concern you?

Mr. WATSON: No, not at all. As I say in my brief—

Mr. FRANCIS: Why does that not worry you when the other does?

Mr. WATSON: Because, as I say in my brief, this is an admission by the country as a whole that we must do something about our present aging.

Mr. FRANCIS: Does the other not do the same?

Mr. WATSON: No. I will come to that. We say we must do something about our present aging so we make an assessment across the whole country—sales tax, corporate income tax and taxable income—in order to raise the amount of money necessary. When we come to this plan we say a man whose average salary is $2,000 a year will get a pension of $500 a year, and if he is making $4,000 he will get a pension of $1,000. You are paying him twice as much, but you say there is no sense to that at all because it is the reverse of what they really require.

Mr. FRANCIS: I think we went through this with the other group, with all due respect. I am concerned about the apparent difference between the two submissions on funding. When I compare your submission its greater emphasis is on funding if we go on to the Canada pension plan. I find it difficult in my own mind to see that there is that great a difference in principle. Why should the Canada pension plan be totally funded when we have no funding with social security?

Mr. MONTEITH: It is pay as you go.

Mr. FRANCIS: This is future thrust. I have heard it is terribly evil to have forward thrust for the Canada pension plan but it is accepted without question for old age security, and not only accepted but accepted totally right down the line.

Mr. WATSON: This is the gist of the whole thing, Mr. Francis. If you want to look at the $75 benefit, and you say why do you not feel that way about it, you would probably feel very similar if you could relate the contributions to the individual. There is no identifiable charge to the individual and his employer. That is the difference. If you try to pin down—

Mr. FRANCIS: Perhaps I am under an illusion when I file my income tax statement at the end of the year. There is a charge that I pay, very definitely.

Mr. WATSON: You have not understood my point. If you try to find out how much you are contributing to old age security, you will never find out because it has a sales tax that you are paying, but you do not know how much. There is corporate income tax that you are also paying, but you do not know how much that is either.

Mr. FRANCIS: There is a general revenue component?

Mr. WATSON: Yes, in other words one cannot relate it to the individual; there is not an identifiable charge related to the individual because it is spread through the whole economic life of the country. But, when you come to the Canada pension plan it is identifiable, and that is when equity comes into the question.

Mr. FRANCIS: But, there is an equity in tax just as much as there is in payroll contributions under the pension plan. This is just a difference in the point of view.

The CHAIRMAN (*Mr. Cameron*): Have you a question Mr. Aiken.

Mr. AIKEN: A few minutes ago when Mr. Lloyd was asking questions there was a suggestion made that part of the answer to the problem of where the money might come from in the future would be an expanding population. By that I assume there would be more people to pay the contributions and, therefore, more money to pay out the benefits. Would not the result be that in the same instance there would be more benefits to be paid in the future and that the expanding population would be more inclined to build it up on the chain letter principle rather than alleviate the problem of contribution.

Mr. WATSON: That is correct. Of course, the chief actuary, in his report, has taken all that into account, and he has projected what the pay out will be as a percentage of the assumed payrolls from year to year, assuming certain immigration and expansion of population. The figures I have quoted today have taken that into account. I believe if you left that out altogether you probably would have a higher rate of contribution; but, it would not be very much different from the 2½ per cent that I have quoted. I think an expanding population has the virtue of delaying the ultimate, but that is all.

Mr. AIKEN: I have another question in respect of the government annuities branch. I happen to be one of those persons who have been paying money into that for some years, and I learned with some consternation a few years ago that really there is no money there; there is just an obligation to pay me out when the times comes. What would you see as the method of paying out to present annuities holders if they were incorporated into this plan, or would they merely be discontinued as of this date and go to maturity when the age is reached?

Mr. WATSON: I was recommending you discontinue the branch in respect of any future annuitants; that you wind it up and restrict your pension business to the group form through the Canada pension plan.

Mr. AIKEN: Therefore, you are suggesting that the operation of the present annuities branch be transferred into the Canada pension plan?

Mr. WATSON: Yes. In fact, as you will recall, in the case of hospital insurance, it was very convenient to have the Blue Cross people available to set up the initial framework for the considerable staffs that were necessary in hospital insurance. I think the same thing might happen here. You might have the beginning of a considerable framework for what is a tremendous administrative problem. No one talks about the administrative problems very much but I think it will be a tremendous administrative problem.

Mr. AIKEN: I have one final question. You started off your statement today by saying you are accepting the fact that parliament has given second reading to this bill and, therefore, you are not going to project what the bill might be. Do you believe that there is any element of a welfare plan in this bill; that is, an element where the poor are assisted at the expense of the better off?

Mr. WATSON: The only virtue I can see in this plan is that it results in certain employers being forced to provide pension benefits for their employees, which benefits are not adequate because we had an earlier discussion about whether this plan or that plan was adequate and someone talked about some of these plans which, of course, in some cases produce pensions of $10,000 a year. But, the Canada pension plan provides a pension of $1,250 a year, so it certainly is not adequate. But, the virtue of it is it forces such employers to do something about buying from a private company enough to make it adequate, and that is a virtue. The question whether it is a good thing to thrust it upon all the rest of the community who already have taken that step is something else which I do not pretend to argue. But, when you offer the plan at 1.8 per cent no one in his right mind would contract out of it anyway, so you do not have an alternative. It has that limited virtue.

Mr. AIKEN: But, as you understand it, it is a pension plan and not a welfare plan.

Mr. WATSON: That is my interpretation. Now, every member of my profession would not necessarily agree with me; they do not always agree with me. But, that is my opinion.

Hon. Mr. CROLL: I am agreeing with you.

Mr. WATSON: I feel very much better about that.

The CHAIRMAN (*Mr. Cameron*): Would you proceed Mr. Basford.

Mr. BASFORD: I will pass.

The CHAIRMAN (*Mr. Cameron*): Then you are next, Mr. Chartterton.

Mr. CHATTERTON: Mr. Watson, you said you are a realist; I am inclined to think you might be a fatalistic realist because when I voted at second reading I voted for the principle of a contributory pension plan and not for this one presently before us.

To use an example, you calculated in respect of a man aged 40, earning $5,000 a year, that the present value of these future benefits, after deducting the contributions, would be $3,500. Is that about right?

Mr. WATSON: Could you repeat part of your question.

Mr. CHATTERTON: I gave an example where you calculated the present value of the future benefits which have been given under the Canada pension plan and after deducting these contributions the bonus, so to speak, to him, is $3,500.

Mr. WATSON: That is correct. But, it is in excess of $3,500 because I made no attempt to put a value on the disability.

Mr. MONTEITH: That also takes in the employers' share.

Mr. WATSON: Yes, indeed.

Mr. CHATTERTON: And, someone is paying that $3,500.

Mr. WATSON: Yes.

Mr. CHATTERTON: Someone else other than his employer?

Mr. WATSON: Yes, and that will come after 20 years.

Mr. CHATTERTON: Did you work out a similar program for a man earning, say, $2,500?

Mr. WATSON: No, I did not; I just worked the one out because it was the simplest. This is rather complex, you know.

Mr. CHATTERTON: But, as an actuary would you suggest the benefit for a man earning $2,500 is greater or less than the $3,500?

Mr. WATSON: I think it probably would be very close to being proportionate. It would be somewhere in the order of $1,700 or $1,800, but that is a rough estimate.

Mr. CHATTERTON: I am talking in terms of dollars, not percentages.

Mr. WATSON: Yes.

Mr. CHATTERTON: In terms of dollars in respect of a man earning $2,500 the benefit would be approximately $1,700.

Mr. WATSON: It would be $1,700 or $1,800.

Mr. CHATTERTON: Now, you said that someone is paying this bonus. You said that someone will be paying it 20 years from now. It not some of that bonus being paid right now by some people?

Mr. WATSON: When I said it will be paid 20 years from now I meant it is starting in 20 years, when the additional contribution will have to be paid. Of course, right now it is an exchange of money; money is going into the plan and money is coming out of the plan, and there is a transfer from one individual to another. But, this is what happens in any insurance or pension plan; money comes in and money goes out. My point was that this $3,500 is not paid in by either employee or employer if he continues to pay 1.8 per cent through to his death. It is deficient to that extent. Therefore, somewhere along the line there has to be more than 1.8 per cent contributed if this was, for example, the average age in the country.

Mr. CHATTERTON: Is this fund building up? Right now someone is contributing towards this bonus of $3,500.

Mr. WATSON: Yes, but I personally think, if I made a complete analysis, that I could show you that it is the children who are not yet eligible and the unborn children who are going to eventually pay for it, and this is the big point; it is not the present people nor the constituents of the present parliament that are going to pay for this.

Mr. CHATTERTON: We are giving them everything now which will be paid for later, so if everyone gets money now everyone votes for that measure.

Mr. WATSON: As I say, it is easy to understand why it is unanimous; it is a very fine arrangement at 1.8 per cent.

The CHAIRMAN (*Mr. Cameron*): Are those all your questions?

Mr. CHATTERTON: Yes.

The CHAIRMAN (*Mr. Cameron*): Would you proceed, Mr. Prittie.

Mr. PRITTIE: Mr. Chairman, I have just one question. In reference to a higher contribution you say on page 5 approximately 2½ per cent. Would it be fair to interpret your views this way, that if we are going to have a funded plan at all we should do a better job of funding? Is that what it amounts to?

Mr. WATSON: Yes. If this is what we are going to do let us do it properly.

Mr. PRITTIE: And, alternatively, you would like in the act some commitment on the part of the government that if they do not raise it now they will raise it in the future, or failing that any deficit will be met out of general revenue. You feel you need that third aspect to the employer-employee contribution.

Mr. WATSON: Yes because, otherwise, it is quite unreal.

Mr. PRITTIE: Thank you.

The CHAIRMAN (*Mr. Cameron*): Mr. Munro, you are next.

Mr. AIKEN: We thought you might pass, Mr. Munro.

Mr. MUNRO: I pass.

Hon. Mr. SMITH (*Kamloops*): Mr. Chairman, coming back to the $3,500 bonus that this fellow aged 40 collects, what part of this $3,500 would be represented during his anticipated lifetime in his collection of the $75 old age assistance?

Mr. WATSON: I am taking this as a separate unit to illustrate the point. I have not brought in the old age security; in other words I refuse to combine the two, I am taking it separately. This is my particular philosophy, that old age security is an assesment against the population, and changed as necessary to support it. This is something else which is supposed to be, according to the way the act is written, dependant only upon the employee and the employer contribution and nothing else.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, our witness for tonight was to be Professor Donald C. MacGregor. He will not be here so that there will be no meeting tonight. However, he sent his brief, and I would like to have your instructions on what to do with it. Should we file it in the library or make it an appendix to these proceedings?

Mr. AIKEN: How large is it?

The CHAIRMAN (*Mr. Cameron*): It is a fair-sized brief. Each member will get a copy, of course. It came in today's mail.

Mr. PRITTIE: Is he not going to appear at all?

The CHAIRMAN (*Mr. Cameron*): No.

Hon. Mr. CROLL: I think we should put it into today's record.

Mr. KNOWLES: I would so move.

Mr. MACALUSO: I second it.

Mr. CANTELON: Who will we hear tomorrow morning?

The CHAIRMAN (*Mr. Cameron*): Mr. W. N. Anderson, of the board of the North American Life Assurance Company of Canada. In the afternoon we will have Mr. Robert J. Meyers, chief actuary of the Social Security Administration of the United States of America. In the evening we will have the retail council of Canada.

Mr. MUNRO: I would like to move a vote of thanks to Mr. Watson.

Mr. AIKEN: I will second it.

The CHAIRMAN (*Mr. Cameron*): Mr. Watson, we had much pleasure in passing a vote of thanks. We appreciate your contribution very much.

APPENDIX A5

SUBMISSION TO THE SPECIAL JOINT COMMITTEE OF THE SENATE AND OF THE HOUSE OF COMMONS FOR THE CANADA PENSION PLAN

G. N. Watson, F.S.A.

January 13, 1965

I wish, first, to identify myself to the members of the Committee. My name is George N. Watson; I am a Fellow of the Society of Actuaries; I have been a Fellow for 19 years and, during that entire period, have specialized in the area of group insurance and group pensions. Although this submission is being made in my capacity as a private citizen, I am a Vice-President of Crown Life Insurance Company of Toronto and have been employed by that Company during my entire business career, exceeding 28 years. In addition to serving on several committees in various trade associations and acting as chairman of several others, I am Chairman of the Group Committee of the Canadian Association of Actuaries. The opinions that I am expressing in this submission are entirely my own.

Although many points could be made with regard to the development of the Canada Pension Plan as it is set forth in Bill C-136, I wish to make only four points which I regard as the most important:

1. The Need for the Canada Pension Plan.

Bill C-136, when it received second reading, was unanimously approved by all voting members of the House of Commons. Evidently, there can be no question that there is a need for the Canada Pension Plan but what, precisely, is the need that it is designed to fill? Speaking to different individuals, one might very well get differing opinions as to precisely the need for the Canada Pension Plan. For example, is it a measure designed to assist the aged which, for the sake of brevity, I will refer to as "welfare plan"; or is it a measure to provide pensions on a compulsory basis to those who can afford to contribute in order to make sure that the future aged will be covered by some pension plan regardless of whether private arrangements are made through their employer. This last type of plan, we may call for the sake of brevity, simply a "pension plan".

I think it will be helpful to establish clearly whether the Canada Pension Plan is, in fact, a welfare plan or whether it is a pension plan on the basis of the definitions I have just given. With an undertaking of this magnitude and the development of an apparatus which will extend, perhaps, for centuries, we ought to be sure at the time of its birth the precise and exact reasons for its conception. It seems to me that the weight of evidence would indicate that this is a pension plan and not a welfare plan. It would seem that the Old Age Security plan was designed to meet the basic needs of the present aged and an assessment is made against the entire country in order to provide the amount of money required to meet those needs as they change from year to year. In developing the Canada Pension Plan, however, there has been little attention given to the fact that there is an Old Age Security plan in existence and, in many respects, the two plans have been treated entirely separately as though no integration was necessary or even desirable. This has caused a great deal of discussion, conjecture and criticism; but it may be explained if we can agree at the outset that the Old Age Security plan is a

welfare plan designed to meet the subsistence needs of the aged, however they may change from time to time; but the Canada Pension Plan is not related to that idea in any way but is, in fact, a pension plan which sets out to make sure that every wage earner in Canada will reach pension age with a pension of some kind which, it is hoped, he will supplement through his private resources. It is as though we are stating that it is as important for the citizen to be provided with a pension as he reaches the last years of his life as it is that he be provided with an education as he commences it, and we are justifying the element of compulsion in the one as much as in the other because the end result is a desirable social objective. Perhaps it is on this ground that the Bill met with the unanimous approval of the House of Commons and it is from this standpoint that I am, therefore, discussing the Canada Pension Plan.

From what I have said, it is apparent to me that the rationale behind the development of the Canada Pension Plan is that: compulsory saving for retirement is desirable. Whereas we have always understood that thrift was a necessary virtue, the degree of thrift exercised being left to the individual's own discretion, we now seem to feel that whether the individual is thrifty or not, we must insist on some accrual of pension rights so that even the improvident, in spite of themselves, will be taken care of. It is another step in the direction of reducing the degree of individual self-reliance.

However, looking at the matter from this point of view, we quickly come to the conclusion that if this is a pension plan, the present value of all the contributions of the individual and his employer should, in the aggregate, be equivalent to the present value of the benefits for which all employees and dependents are covered.

However, in this plan, we know that the benefits are not fully funded and, therefore, whatever benefits are received by persons who are the early recipients of benefits under this plan, will far exceed the contributions they have made or their employer has made on their behalf and this, of course, will be entirely at the expense of future contributors because it can be shown that, if the entire present labour force was considered as a group, the contributions of 1.8% by the employee and the employer would not provide that particular group with the benefits promised. It would, in fact, develop according to normal actuarial standards an unfunded liability at its inception which would have to be retired by future contributors or, at any rate, the interest on the unfunded liability would have to be paid by some third party, whoever that may be. Of course, we know that there is no third party to take care of the unfunded liability and, hence, we conclude that, in the future, there must be an increase in the rate of contribution. The point I wish to make is that it is entirely improper in my view to develop a pension plan which proposes to provide benefits to persons on a basis of contribution which will not, in fact, support those benefits, considering the present covered population only. It, therefore, means that the future population, that is persons coming to Canada and the children not yet covered or born, will have to pay more for their benefits than their actuarial value in order to make up for the deficiency in contributions which now exists. Although one can understand that a pension plan based upon deficient contributions will meet with a ready response from a House of Commons or even an entire population which believes, by some magic, that future generations will pay the bill, it is not clear to me that future generations will continue to pay the bill and receive benefits which have an actuarial value of less than they are contributing. But, of course, it must eventually come to that and so I ask the question: Is it right and proper for our

elected representatives at this time to pass a Bill which must eventually be paid for in part by future generations and future parliaments? Would it not be much more reasonable, if we can agree that this is, in fact, a pension plan of exactly the same sort as a pension plan developed by an individual employer, to provide benefits which, for the present population, are the actuarial equivalent of the contributions that can be expected from the present population without relying on the largesse of our children and our children's children and even beyond that.

We cannot make the excuse that this is a benefit for the welfare of the present aged. We must, by the reasoning I have developed here and in the next following section, accept the principle that this is a pension plan on a compulsory basis and it should stand on its own feet and be self-sufficient for the present population. Mr. Chairman and gentlemen, this plan, is not in that financial condition. It is very much better than the first version of the Canada Pension Plan, but it is still not providing benefits which, considering the entire present population, are the actuarial equivalent of the contributions required.

A review of the actuarial report suggests that, on and after 1985, assuming all the assumptions of the Chief Actuary are realized, it will be necessary to increase the contribution rate from both employee and employer to approximately 2½% each. It would be much better if we faced that prospect now and considered its implications rather than to assume that this will be a decision of some future government and need not be taken into account at this stage. For example, if it should develop that this is the action that is, in fact, taken 20 years hence, which is not a long period in the arrangements that have to be made in pension plan funding, it would simply mean that we would be asking those persons now under the age of 45 to make a higher contribution for their benefits than the persons now in the population and over that age. I would think it would be much better if a rate of contribution was established which would guarantee the continuance of the plan for a much longer period than 20 years. Such a rate of contribution could be calculated by the Chief Actuary applying normal actuarial methods to the entire population as it now exists. I would estimate that such a calculation might produce a result of approximately 2½%, instead of 1.8%. From the standpoint of equity, a higher rate of contribution now would be much more desirable than leaving this to a later generation.

My first point, therefore, is that, if I am correct in the philosophy which has developed this Canada Pension Plan, the scale of benefits should be reduced or the scale of contributions should be increased in order that there will be no mortgage on the future or any unnecessary degree of uncertainty in regard to what we may expect after 1985.

2. *Can it be Argued that the Canada Pension Plan is, in fact, a "Welfare Plan" and not a "Pension Plan"?*

If the answer to the question raised in the previous section is that the Canada Pension Plan is, in fact, a welfare plan and is not a pension plan in the sense that I have described it, then I must argue that the Old Age Security plan which was so well-designed some years ago and which has been increased and improved since then is the proper vehicle to provide such benefits. If the Old Age Security plan is not providing sufficient benefits or if the benefits do not commence at an early enough age or if additional benefits besides retirement benefits are thought to be necessary, this can be easily achieved by making the necessary amendments in that plan. It would be very amateurish from the standpoint of pension plan design or social insurance planning to develop

an earnings-related plan and superimpose this on a flat benefit of the old age security type without the most careful attention to the problems of integration. It is as though you were dissatisfied with the accommodation in the Parliament Buildings and you decided to extend the buildings but, instead of calling in an architect, which I suppose would be the normal course to follow, this was developed by political architects who developed a tower on stilts which we may call the Earnings-related Towers which sits on top of the Parliament Buildings. No sensible architect would suggest such a structure and no member of parliament would vote for such construction in the city of Ottawa. Yet if you argue that the Canada Pension Plan is designed as a supplement to the Old Age Security plan, that is exactly what you have done because no expert in this field would possibly conceive of such a monstrous result.

An earnings-related plan has no application in this area whatever. To illustrate, consider two individuals, one earning consistently $2,000 per annum and the other, $4,000 per annum. The Canada Pension Plan provides a pension of $500 annually to the first and $1,000 annually to the second. But, the second individual is much better able to care for himself than the former. If anything, the pensions should be the other way around or, better still, they should be equal. Thus, no one can argue that the Canada Pension Plan is a welfare plan. It is a pension plan, purely, and reasonable relationships between contributions and benefits are implied just as in any private plan.

I, therefore, conclude that the reasoning I developed in section 1 of this submission is the only reasonable conclusion to reach.

The Canada Pension Plan and the Old Age Security plan have, in many ways, been treated entirely separately. There is little or no integration and I submit the rationale behind the development of each plan is entirely dissimilar.

3. *The Government Annuities Branch.*

Based on the conclusions of the first two sections of this submission, I would consider that the Canada Pension Plan, if it is adopted in essentially its present form is, in fact, a compulsory version of the idea behind the development of the Government Annuities Branch as it was originally conceived in 1908. The idea then was to promote the purchase of pensions and this vehicle was made available. Since then, it is apparent that the public at large does not take advantage of such annuities to the extent that one might otherwise suppose and now, in 1965, we conclude that some degree of compulsion is necessary and, hence, we substitute the Canada Pension Plan for the Government Annuities Branch. Gentlemen, I suggest that if the material I have submitted up to this point has any logic to it, we must now conclude that the Government Annuities Branch should be discontinued. It represents a huge liability of this country to various individuals. There is no fund whatever behind the liabilities of that branch and we might as well consolidate that liability with the liability of the Canada Pension Plan and here and now resolve that, having adopted the principle of compulsion in order to achieve the results that could not be achieved by voluntary methods, we should not preserve the older agency which is now rendered superfluous. This recommendation has already been made by a Royal Commission appointed some time ago, which recommendation has not been proceeded with by this government and I now urge it upon you as a logical conclusion of developing the Canada Pension Plan.

4. *The Implications of a National Pension Plan.*

If we assume that a National Pension Plan of the type which we are examining in Bill C-136 is desirable on the basis of the reasoning set forth above and if we assume that, to be logical, the benefits provided ought to be the actuarial equivalent of the contributions to be made, we will, of course, develop a larger fund than now contemplated; but whether that fund is 5 billions or 10 billions of dollars is not so important as the realization of the fact that this fund represents a considerable diversion of investments from the private sector to the public sector of our economy. On reading the Economic Report, it is clear that the government has attempted to evaluate the effect of this diversion, but it seems to me that the Report tends to seriously understate the magnitude of this diversion.

In the first place, it would be my judgment that practically all private pension plans now existing which require a contribution from employees of 5% of earnings will undoubtedly be integrated with the Canada Pension Plan in such a way that the total employee contribution under both plans will not be increased with the result that considerable sums will be diverted from private investment channels to the public purse. Secondly, in the evaluation made in the Economic Report, it was assumed that there would be no increase in the level of contributions required after 1985. In other words, the Report examined the situation as though the fund would eventually fall into deficit which, of course, is not contemplated.

For both these reasons, I believe that the Economic Report has tended to minimize what many people think is a serious effect on the economy of the introduction of the Canada Pension Plan.

APPENDIX A6

SUBMISSION TO THE SPECIAL JOINT COMMITTEE OF THE SENATE AND HOUSE OF COMMONS ON THE CANADA PENSION PLAN JANUARY 1965

Donald C. MacGregor

32 St. Andrew's Gardens,
Toronto 5, Ontario.
January 8, 1965.

To the Co-Chairmen and Members of the
Special Joint Committee of the Senate and
House of Commons on the Canada Pension Plan.

Dear Mesdames and Sirs:

A submission to your Joint Committee is attached.

I send it solely as my personal submission. It is not intended to represent the views of the University of Toronto nor of its Staff Association, nor those of the Pension Commission of Ontario of which I am a member, nor of any other body.

Respectfully submitted,

Donald C. MacGregor,
Professor of Economics.

DCM:b
Encl.

SCOPE OF THE SYSTEM

(1) Coverage of the population for the purpose of contributions.

The large number of persons contributing, from age 18 up, has been mentioned as showing the completeness and effectiveness of the system. Equally effective retirement pensions and almost as effective supplementary protection could be provided if contributions began at slightly later age (say 22 or even 25) with an appropriate increase in rate.

An objection to such an increase in the lower age limit is that employers would have an inducement to prefer younger employees for whom no contribution was required. The objection loses its force when it is remembered that among the youngest workers unemployment is rather high.

An age limit higher than 18 offers advantages to the pension administration, to employers and to the membership, all without detriment to the level of benefits at retirement if contribution rates are higher. An incidental advantage of delaying membership would be that most adult immigrants reaching Canada in their middle and later 20's, ages at which more than half of the adult arrivals occur, would then be able to qualify for virtually full benefits at 65.

(2) Compulsion and the self-employed.

Despite the compulsion exercised by Section 11, no compulsion need actually be exercised on self-employed persons unless they are obliged to file income tax returns (Bill, 31(5) and Evid., p. 235). As far as it goes this is as it should be, for it acts to preserve individual freedom of choice for at least some of a group to which the rationale of compulsion, justifiable for

employees in view of their demands, does not apply. The policy of no compulsion also avoids the invidious administrative task of fining or seizing the goods, or imprisoning the person, of a man who considers that this form of provision for his old age is either superfluous or too costly.

Whether compulsion is justifiable on grounds of equity when applied to the rest of the self-employed, who must file a tax return, is a nice question. We seem to be coming to a point, in what is evidently deemed social progress, where a man can be punished for failing to save money, provided he earns enough for the state to take notice of it.

In the absence of compulsion the Plan must, however, be protected against the abuses that arise from self-selection (i.e., selection by the individual of what and when he will pay with a view to "milking" the plan to his own advantage).

2.

SCOPE OF EMPLOYERS' PLANS: A MISUNDERSTANDING

Closely related to 1(1) is a common misinterpretation of the scope of employers' pension plans. Many workers who are not covered nevertheless work for an employer who has a plan, a fact that has been interpreted to mean that the plan permanently excludes them. As a rule, however, the non-members become members as their period of service increases or as they become older, provided they remain with the same employer. In 1960 the D.B.S. non-financial survey found that in addition to 1,422,000 members (male) of plans there were 506,000 non-members working in the same organizations. Of these non-members only about one in eight, or 61,500, were permanently ineligible. Of the remaining 444,000, some 250,500 were temporarily ineligible while 194,000 were voluntarily outside the plans because they had elected not to join. As to females, there were 393,000 members and 352,000 non-members. Of the non-members 129,000 permanently ineligible and 132,000 temporarily so, while 91,000 elected not to join.

3.

CONTRIBUTIONS AND THE FISCAL SYSTEM

(1) The proposed system of contributions, earmarked for the use of the Plan, at first sight appears wholly to relieve the national Treasury of a burden that might otherwise have been defrayed from ordinary taxation or borrowing. The required premiums or charges also have at first sight the appearance of saving rather than taxation. Thus, whether looked at from the standpoint of the Treasury or of the public, the system has the appearance of insurance and saving rather than of taxation. Here, one might say, is a self-supporting system that won't trouble the tax-gatherer, and won't be troubled by him.

The actual outcome is likely to be less simple and agreeable on both sides. The national Treasury will find that an additional levy on income of about $425 million in 1966, equal to almost a fifth of the yield of the personal income tax and over and above the yield of the existing Old Age Security levy, which amounts to another fifth, may make it more difficult (if not impossible) to gain further revenue for general purposes from the income tax, and may even precipitate demands for its reduction. I say *may* rather than *will*, because if the Canada Plan contributions were not associated in the public's mind with taxation or tax collectors they would be less likely, in my opinion, to act as a barrier to future increases of income tax or other taxation.

This brings us to the question: how far will individuals and employers regard this apparently autonomous pension plan as tinged with fiscal colours? Since, for reasons of administrative economy, the income tax authorities are to undertake collection of contributions from self-employed individuals, it

follows that as much as 15 per cent of the contributing population will be dealing directly with the tax gatherer. The rest of the contributing population will be employees and they will have no direct relations with the tax authorities except perhaps in the matter of refunds, which are to be extraordinarily numerous. It is nice when one finally gets the refund cheque but if the wait is long or the required negotiations are difficult the millions of individuals involved may not find the experience particularly satisfying. If their contact is with National Revenue unfavourable associations with taxation are likely to develop.

It is employers who will have the most contact with the tax authorities since they act as collecting agents, standing between their workers and the Treasury as well as paying their own dollar-for-dollar contributions to the tax authority. They have been told, correctly, that in this plan their contributions are not necessarily associated with the amount of pension to be received by their own employees. In other words each employer's share goes "into the pot," the only restriction on its use being that the moneys are to be utilized for paying a cash benefit from the plan to some eligible recipient as Parliament may from time to time determine. Under this procedure the employer's contribution loses its character as a premium and becomes virtually a tax on the labour services it buys, the chief difference being that purchaser rather than vendor remits the levy to government.

Firm A, which employs mainly middle-aged and elderly people can look on this with complacency since its retiring workers over the next two or three decades will receive benefits that are very large compared with the contributions it pays, but another firm, B, which employs mainly the young will find, if it looks into the matter, that its contributions are being diverted as a cross-subsidy to pay the relatively large, more or less instant, pensions of firm A. It may be added that a growing province, which usually has a high proportion of young workers, will resemble firm B while a more or less static province will resemble A, as regards the ultimate destination of the employer's share.

If the employer's portion comes to be regarded as almost pure taxation not only in his eyes but in the eyes of labour, one may speculate as to the effect on labour negotiations.

A general impression to which this section leads is that while the statutory outer garment or skirt of the system has an agreeable appearance when first tried on, the fiscal slip will soon begin to show below.

One long-term consequence, for individuals, is that the income tax net will now close around them permanently, at the same time bringing a good many new faces into the tax gatherer's ken.

The situations discussed here arise from the benefit formula of the pension plan and from the proposed method of administering contributions. The administration is designed to realize direct and immediate economies; my suggestion is that it may indirectly and gradually bring less agreeable results, but it is clearly difficult to compare the two.

(2) Exemption of the first $600 of earnings from the rateable income is a measure that can be defended on grounds of equity but which seems to lead to disproportionate administrative difficulties. Good laws in this field result from compromises between the conflicting claims of equity on the one hand and of convenience and economy on the other.

The size of the exemption is not enough to conserve the potentialities of the personal income tax in the lower brackets, for which I have shown concern above.

(3) A persistent problem will be "when to raise the contribution rate?". In the Bill much attention has been given to the popular and rather "gimmicky" subject of raising benefit rates by formula but we are left without a formula or an administrative or deliberative procedure directed to securing adequate contributions. Even the Advisory Committee (S. 117) is not specifically charged

with this responsibility. It is only benefits that have the benefit of escalators. (In saying this I realize that the real purpose of the escalators, in the eyes of the inflation-minded authors of the Bill and its supporting actuarial and financial studies, may be to prevent the benefits from sweeping upward like a balloon.)

4.

GREATER PRODUCTIVITY DEPENDS ON MORE CAPITAL

(1) The future levels of production, relative to the amounts of labour and capital employed impose limits on the effectiveness of the economic accomplishment of the country. Their relevance for any one use of resources naturally depends on competing demands for other uses, which are many. This has been alluded to in the Second Report on Portable Pensions (Ontario), pages 4(*a*) and 103 and in Coward, Pensions in Canada, pages 68-69 and 76, par. 3.

It is not usually realized that increases in production per head usually depend on the utilization of more as well as better capital. The average requirement of capital of all kinds for an average family of four in Canada is about $50,000, a sum which considerably exceeds the saving power of the average family (cf. Coward, Pensions in Canada, p. 70, table).

5.

BENEFITS

(1) The early commencement of benefits, and the resulting large outpayment per dollar of contributions comprise both the appeal and the weaknesses of the proposed system. The appeal, which is the promise of a life income of $125 a year from age 65 in return for a single combined premium of 3.6% of $4,400, or $158.40, can be expressed in other words: an annuity, the lump-sum cost of which (for a man) at 4 per cent would be about $1,200.00,[1] is to be sold in the first year at a cost of $158.40, which is 13.2% of $1,200.00. On this basis there is a subsidy from within the Plan of 86.8% at the outset or, if interest on the contributions during the first year before outpayments begin, of a trifle less. The same proportion of subsidy applies to persons retiring at the specified ages (69, 68, etc. as in S.66) at the end of any one of the first ten years from the time the Plan begins to collect contributions. After that time the number of contribution years required to gain the same benefit increases at one per year for the next 37 years, subject to the drop-out provision for disregarding a limited number of years of low or zero earnings. As the length of the required contributory period increases the proportion of cross subsidy diminishes but it is evident that as regards the required total of contributions and cost per dollar of pensions the plan does not mature until the end of the first 47 years of contributions. This may be compared with a maturity period on the side of benefits of 10 years. The term *maturity period*, if used without designating which period it refers to, is therefore ambiguous. If, as a matter of convention, it be taken to refer solely to the 10-year benefit period it is then necessary to find a new term to refer to the 47-year contribution period.

1. Quotations of the lump sum cost differ slightly since they depend on the estimated average of remaining years of life for those reaching their 65th birthday (expectation of life at age 65). On the basis of the widely used 1955 Annuity Table the cost of $125 a year would be, at 4 per cent, about $1,280, based on an expectation of life of 14.31 years. If, instead, we use the latest D.B.S. calculations for males (based on ages of the male population in Census of 1961 and on an average of deaths in 1960, 1961 and 1962) which give 13.53 years as the expectation at 65 for all Canada and 13.16 years as that for Quebec, the lump sum cost is less.

If no interest be allowed the cost is more, being simply the product of the annual pension and the expected number of years in payment; e.g., for $1,280 above read $1,789.

The weaknesses arising from early payment of benefits, in a system which is represented as contributory and self-sustaining, are mainly as follows:

(*a*) By requiring payment of only about one-eighth of the average cost over the first decade and by failing to reach the full contribution rate until 37 years thereafter the public is given a false impression of the true cost of contributory pensions and is encouraged to demand more and more pension on this basis as long as the "bargain sale" continues to offer noticeably good value, say for the first 25 years.

Similar demands have already been made for across-the-board increases in the universal (O.A.S.) pension. The fact that small tax increases immediately follow the resulting increases in the O.A.S. is a trivial deterrent to those who are to get the higher pension at once or within a few years, and of only minor consequence to younger persons since more than half of the O.A.S. taxes are hidden.

As the nation already has, therefore, a pension system in which the method of imposing the cost is a very weak deterrent of further demands, it is the more important that a "second-deck" of pension should contain a more effective deterrent. At first sight the increase in the combined contribution rate from 2 to 3.6 per cent is an important move in this direction but against it should be set the increase in the estimated benefits payable. The following table shows estimated benefits after nine years, in the first Bill and the second.

	Payable 1974 Bill C-75, March 1964. Actuarial Rept., 30/8/63, p. 8, Table 2.	Payable 1975 Bill C-136, Nov. 1964. Actuarial Rept., 6/11/64, p. 15, Table 2.
	(in millions of $)	
Age Retirement Pensions	177.3	162.7
Disability Pensions		62.8
Widows' and Widowers' Pensions	12.3*	88.5
Orphans' Pensions		37.1
Death Benefits		19.7
Administration	†	17.6
TOTAL	189.6	388.4

*"Aged Survivors." †Not shown.

(*b*) It is possible that the new directions in which benefits are to be provided, indicated in the above table, will serve as so many more opportunities to influence the electorate with its own money in the name of welfare, by promising more. Until March 1964 there was one opportunity, the O.A.S.; then there were two more under the *first* Canada Pension Plan of 1963-64 and now there are a further three under *second* Canada Plan, making six as compared with one. The outcome will partly depend on the response of the provinces, which already give aid in several of these fields, in part with federal assistance.

(2) The provision of a death benefit or refund is in accord with custom. In other pension plans it is usually as great as the individual's own contributions and in some cases as much as the combined contribution with interest. The advantage of the practice is obvious despite the added cost to the fund

but it is alloyed by the resulting income tax which may be considerable although the benefit is taxed at a lower rate than ordinary income. The tax aspect offers justification for providing a small benefit, since equivalent compensation can be provided (but not in all situations) by group life insurance.

(3) The Canada Plan's provision of annuities for widows and certain widowers, and surviving dependent children likewise has a precedent in some employers' plans and is available as an option in others. The most widely used protection for survivors is probably the last survivor provision applicable to an annuity that is in payment. If a pension provides for survivors without either a reduction in pension or an increase in prior contributions it imposes a heavier drain on the revenues of the Plan than an ordinary pension, indicating that there is a cross subsidy presumably at the expense of single people and those without dependent children, both of whom, along with the employer, are obliged to pay more than otherwise. As there is a much larger cross-subsidy in favour of all those retiring for some decades to come the cross-subsidy in question adds only slightly to the size of the subsidy as a whole and the comments already directed to the one refer equally to the other. That it is good to make provision for survivors is not questioned; what is questioned is who should foot the bill, especially when the cost rises in future, and whether some of those who are called upon to pay more because others benefit more may not have equally valid claims which are not recognized. One may suggest the case of an unmarried daughter who is supporting parents, sisters, or aunts; in the event that such a daughter dies before or very soon after retirement the only resulting claim on the Canada Plan will be the death benefit, which cannot be much more than her funeral expenses.

The arbitrary element in arrangements which thus compel contribution, but restrict benefit without regard for equality of treatment deserves close attention. I am not much impressed with the common reply that the benefits granted are all the protection that has been paid for. The answer to this is that in the unmarried daughter's case she should and probably would have paid for a different type of contract, if she had been free to do so, in which the loading for spouse and children was replaced by one for other dependents.

(4) The payment of virtually free pensions to those retiring in early years of the plan has been likened to the provision of past service pensions. I have already dealt with this in the Coward volume on page 64 and 65. Here I wish only to emphasize the position, taken there, that if further past service benefit is to be provided, over and above that now provided by the O.A.S. and existing supplements to it, it should be paid for out of the tax system as a whole, from higher incomes as well as from those under $5,000, and from investment income as well as from labour income, instead of wholly by cross-subsidy out of combined contributions, which is in part at the ultimate expense of the young and the unborn. What I advocate is subject to whatever limits on the size of the fund may be deemed appropriate for economic and prudential reasons.

(5) Retirement Test. The withholding of benefit by this, a species of means test, from those aged 65 and under 70, is hard to justify. It is doubtful equity since a person who has income from rents or other investments may draw his full pension from age 65. It will be especially hard to administer since the presently permitted earnings of $900 (Sec. 69; made intelligible in the Evidence, p. 321) are decidedly low. It conduces to misrepresentation among some and to idleness among others. The best thing that can be said for it is that the loss of income is graduated in one step, earnings over $900 and under $1,500 attracting a pension loss of only 50¢ per $1.00 of income.

The argument that other countries have employed this method does not impress me in view of the objections to it.

(6) May I draw attention to the lack of an age-adjustment for the benefit scale in the Canada Plan between the ages of 65 and 70. This, taken with the presence of a retirement test, suggests that the government favours a policy of discouraging people from working even at self-employment after reaching 65.

6.

THE OFFICIAL FORECAST OF CREEPING INFLATION

(1) In both the second Actuarial Report (6 Nov. 1964) and in the subsequent study of Economic Implications (10 Dec. 1964) it is assumed that the cost of living will, on the average, rise 1½ per cent per annum for the many years of the forecast period. The second Actuarial Report also envisages the possibility that the cost of living may increase more rapidly, in the neighbourhood, it appears, of 2 to 2½ per cent per annum, leading to an upward movement of money earnings averaging 4 per cent. The difference between 4 and 2½ reflects increases of earnings made possible by higher productivity. In all cases the figures imply compounded rather than simple rates of growth.

The first Actuarial Report (30 Aug. 1963) makes a similar assumption as to rising money earnings but is less specific as to the rise of prices implied in it. It assumes that earnings will rise at a rate of 3 per cent compounded.

When I came upon the 3 per cent assumption in the first Actuarial Report, I noted it marginally, raised an eyebrow, and passed on. I recalled that many actuaries neither know nor care much about economics or history as the faulty assumptions on the future of interest rates made by most of them in the period 1920 to 1930 illustrate eloquently, and supposed they did not bother to discuss their assumption with others. It is now clear that they are not alone in this assumption and that it is the expectation if not the deliberate intention of the Minister of Finance that prolonged creeping inflation, averaging at least 1½ per cent a year, compounded, and possibly rising to 2 per cent after about 1975, is to take place.

This is a remarkable prognostication. We are left in doubt whether the forecast will set in motion forces tending to confirm it or perhaps to exceed it. There is also doubt whether the forecast was made as a form of *arrière pensée* with a view to indicating by indirection the probable consequences of recent policies.

If this is really to be the future of Canadian prices one may inquire how long it will take for the long-term rate on Canada bonds to reach 6 per cent, and other bonds in proportion, for I do not think the prospects of inflation in the past four years have been such that the market is already discounting, in long-term bond prices, an inflation of 1½ per cent yearly.

There are undoubtedly a few advantages in gradually rising commodity prices, to be set off against the many disadvantages, but the advantages would for the most part be lost if the inflation were a certainty. Rising wages and other costs would press unusually heavily against prices, both hastening the rise and pricing labour and goods out of the market, thereby dislocating the economy and darkening the expectation of high employment and output. If other countries foresee and strive successfully for less inflation than Canada, the implications for the Canadian dollar and for those who have borrowed abroad deserve serious attention. The implications for provinces and municipalities are especially grave, not only as to their debts but their revenues. There are also implications for the Bank of Canada that I need not dwell on here.

Repetition of the assumption of creeping inflation in the three documents mentioned can no longer be ascribed to inadvertence. The announcement of what the government contemplates has now been made too often for responsible opinion to ignore the statement in the hope that it will die quietly.

7.

HEAVY ADMINISTRATIVE WORK FOR REFUNDS, ETC.

(1) Both the Bill and the hearings indicate an enormous number of refunds and of adjustments arising from payment of interim benefits. Civil servants who appeared before the Joint Committee took a rather light view of the matter and stressed the low overall rates of administrative cost to total money turnover. This is not the whole story, however, since a single unmechanized human being is on the opposite side of every one of these changes. He may have to take one and possibly several steps, by methods unfamiliar to him, to secure the required adjustment. What is easy and routine and a source of livelihood for a government staff may mean wrath, anxiety and agony for him.

Refunds, because occasion for them may arise many times in a person's life, seem to be much the most serious problem and careful consideration should be given to any changes in the Bill that hold promise of avoiding a large proportion of them. An age limit higher than 18, as pointed out in part 1(1) above, might be such a change, while elimination of the $600 exemption is another. Excess contributions, from income over $5,000, might be dealt with by several methods which would lump them together for refund at noticeable intervals. One might even go farther and aggregate small excess payments into a surplus refundable on death or retirement, whichever comes first, unless demand for payment were made.

The best method would be to simplify the scheme of accumulation to avoid occasions for refund and minimize the cost of compliance on the part of contributors.

8.

CRITERIA OF EFFICIENCY OF THE PLAN

(1) Four criteria of the Plan's efficiency which are stressed by its advocates are:

(*a*) the early appearance of substantial benefits;

(*b*) the low ratio of administrative cost to total rateable earnings (not contributions) of the membership;

(*c*) the high proportion of the population which will be covered for benefits, and

(*d*) the high proportion which will be contributing.

Four other criteria deserve consideration; *first* the cost to contributors per dollar of pension gained, with and without allowance for interest otherwise obtainable on the sums contributed; *second*, the lowness of the percentage of the working population on the contributory rolls, to produce a given pension (cf. Part 1 above); *third*, the ratio of administrative expense to contributions or to contributions plus benefits, which is the customary way of making the comparison. As to the third, the method of presenting administrative cost in the second Actuarial Report, while it parallels the other percentages shown, is not a percentage of much interest and in my own case it was some time before I realized that I had placed the wrong construction upon it. Expenses are expected to be about 3 per cent of the contributions over the first ten years.

A *fourth* criterion is the extent of complementarity with the Canadian situation, as to pension needs and existing arrangements for meeting them, and as to the Canadian economic, geographical and political setting. Possibilities of duplication and of conflict should be considered.

9.

FUNDING

(1) The present Plan is expected to build up a fund much larger than that proposed a year ago, to between $4,000 and $5,000 million in 1975 and between $7,000 and $8,000 million in 1985. Increments to the fund in the neighbourhood of $400 million per annum are expected in the first 15 years. Growth of the fund is expected to cease during the next five-year period and to be followed by a steady decline thereafter unless and until the contribution rate is raised. An eventual increase in contribution rate is unavoidable.

While in its period of growth the fund seems to become distinctly large its size must be considered partly in comparative terms. It must be considered, that is to say, in relation to the rising totals of incomings and outgoings of the Plan (Actuarial Report of Nov. 6, Table 8, p. 18) and also in relation to the aggregate labour income and national product as shown in the Study of Economic Implications (p. 3). By the year 1975 the dollar values of the labour income and national product are expected to have risen by about 75 per cent, and by 1985 by more than 300 per cent, compared with 1966. It is altogether probable that the demand for capital funds will have risen in proportion and indeed it may well be a necessary condition of this great expansion that it rise more than in proportion, although that will depend on the character of future technical progress which I would not care even to guess. It is sufficient to remark that future sums expressed in thousands of millions (billions) which may seem large today will not bulk so large after the whole economy has added a couple of decades of growth.

Furthermore the size of the Fund is not large in relation to its mounting obligations. As the obligations are not presented in terms of their present or discounted values, however, no comparison is possible. The total liability would eventually reach tens of billions of dollars but not until the whole economy was much larger than to-day.

By way of illustration the obligations under the Federal Government's Superannuation Plan at the end of 1957 were $1,984 million and a year later those under the Ontario teachers' plan were $642 million. Both figures are now much larger.

It would be of interest to have, in rough figures, the estimated capital value of the obligations in 1980 for comparison with the expected size of the fund at that time.

More pertinent is the size of pension fund assets in relation to all assets eligible for investment within the country. Two years ago the assets of pension funds (about $8,000 million, including some stock) equalled about one-seventh of outstanding bonds and mortgages in Canada (not all of which would be eligible), some of the claims of government plans not however being represented by government securities. As the country grows the eligible assets will grow, and the estimated totals of a fund twenty or thirty years hence will not appear nearly as large when compared with the other and larger magnitudes of that time.

I foresee little danger of a larger Fund, arising from an early increase of contribution rates, proving too big to be effectively utilized, but its administration must be appropriate to its extent.

The difficulties most likely to arise are of another sort. The first is that the presence of large assets in a Fund may lead to granting excessive benefits, for the assets are sometimes regarded by members of a plan as though they were a form of distributable surplus or buried treasure to which they (i.e. those soon to retire) are justly entitled. Even teachers, who should know better, have been known to take the attitude that the Fund should be "milked". When the plan is under government supervision there has been a tendency for

legislators to yield to the resulting clamour for higher benefits out of the Fund, however unjustified this may be. This is not, strictly speaking, an argument against a Fund but against weak trusteeship and failure to impress the membership with the Fund's purpose. The aspects mentioned in this paragraph did not receive appropriate attention in my contribution to the Coward Volume *Pensions in Canada,* being only alluded to there.

The second difficulty is that if the managers of the Fund are free to, or obliged to, place the moneys in their own government's securities the earning power and strength of the Fund may be less than it might have been. Recent Ontario legislation governing employers' pension plans restricts such use of private pension moneys. In a large public plan the channeling of great sums to a particular borrower or class of borrowers might lead to a disproportionate flow of capital in that direction, to the detriment of other users of capital. Sometimes referred to as the canalization of funds, this is by no means a new problem. Improvements in the organization of the capital market and in the accompanying legislative controls have been doing something to reduce canalization in commercial banking, life insurance and trust companies, and many people regard these changes as highly constructive. It would be unfortunate if the trend to improvement were reversed as a result of federal pension legislation.

If there are to be a number of provinces administering pension moneys, instead of a single national administration, the weaknesses of canalizing will at least be reduced by diversified management. The sums to be forthcoming are, however, decidedly large when compared with recent levels of provincial borrowing (Economic Implications study, p. 16, and App. E) and it may be hoped that the provinces will indirectly make enough moneys available for municipal issues and possibly housing to oblige them to submit some of their own borrowings to the judgement of the capital market.

Since the flows of pension moneys are thus large in relation to provincial borrowing it follows that if the Fund (at present contribution rates) begins to decline as expected, after about 1985, going down more and more quickly after a few years and soon reaching zero as estimated on page 22 of the second Actuarial Report, the provinces would be forced to enter the capital markets on a large and continuing scale with refunding issues designed to repay all their debts to the fund over a few years. As they would no doubt be borrowing for new capital outlays also, their demand for market funds might become embarrassingly large and savings would be diverted to consumption. It follows that the contribution rates to the Plan should be raised at about this time, if not earlier, to avoid any significant reduction of the Fund.

The best outcome for the provinces and for the nation should be reached by (1) devising a more autonomous and stronger administration of pension moneys with (2) more flexibility in placing the moneys than now seems contemplated, and (3) a more rapid growth of the Fund (probably) after the first four or five years, by way of higher contribution rates.

In this part of my submission there have been several references to the interesting study of Economic Implications, dated 10 December last, issued over the name of the Department of Finance. Before taking leave of the study may I express my regret over its preoccupation with the very short run, neglect of the frustrated long-term development and savings that would otherwise have occurred in field of private plans, its lack of attention to possible influences on international capital transactions, and the apparent endorsement of creeping inflation of at least 1½ per cent annually.

(Meetings held after adjournment of the House)

MINUTES OF PROCEEDINGS

THURSDAY, January 14, 1965.
(24)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 10:10 o'clock a.m. this day. The Joint Chairman of the Senate section, Senator Fergusson, presided.

Members present:

Representing the Senate: Honourable Senators Boucher, Croll, Denis, Fergusson, Lefrançois, McCutcheon, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh (9).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon Cashin, Chatterton, Côté (*Longueuil*), Francis, Gray, Gundlock, Howe (*Wellington-Huron*), Knowles, Laverdière, Leboe, Lloyd, Macaluso, Monteith, Morison, Munro, Prittie (21).

In attendance: Mr. W. M. Anderson, F.S.A., Chairman of the North American Life Assurance Company of Canada, of Toronto, Ontario.

Also in attendance: Mr. J. E. E. Osborne, Technical Adviser to this Committee.

The Joint Chairman opened the meeting and invited the witness to make a preliminary statement before being questioned.

On motion of Senator Croll, seconded by Mr. Francis,

Resolved,—That the brief submitted by Mr. W. M. Anderson be printed as an appendix to this day's Minutes of Proceedings and Evidence.

(*See Appendix A7*)

The examination of the witness continuing, at 12:30 o'clock p.m. the Committee adjourned until 2:30 o'clock p.m. this day.

AFTERNOON SITTING
(25)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension plan reconvened at 2:35 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*) presided.

Members present:

Representing the Senate: Honourable Senators Blois, Croll, Denis, Fergusson, Lefrançois, McCutcheon, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh (9).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Côté (*Lon-*

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gueuil), Francis, Gray, Howe (*Wellington-Huron*), Knowles, Laverdière, Leboe, Lloyd, Macaluso, Monteith, Morison, Munro, Prittie (20).

In attendance: Same as at this morning's sittings, and Mr. Robert J. Meyers, Chief Actuary, Social Security Administration of U.S.A.

The Joint Chairman introduced Mr. Meyers who read a prepared statement and was questioned thereon.

At the request of Senator McCutcheon, the Committee agreed unanimously that reprints of Periodicals quoted by Mr. Meyers be appended to the Evidence as soon as available for publication.

The examination of the witness continuing, at 5:20 o'clock p.m. the Committee adjourned until 8:00 o'clock p.m. this day.

D. E. Levesque,
Clerk of the Committee pro tem.

EVENING SITTING
(26)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reassembled at 8:10 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Denis, Fergusson, Lefrançois, Smith (*Kamloops*), Stambaugh (5).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Côté (*Longueuil*), Gundlock, Howe (*Wellington-Huron*), Knowles, Lloyd, Morison, Munro, Perron, Prittie (16).

In attendance: Messrs. D. Sheppard, Assistant Deputy Minister of National Revenue; J. E. E. Osborne, Technical Adviser to this Committee; and from Retail Council of Canada: Messrs. A. J. McKichan, General Manager; R. H. Hyndman, President of Charles Ogilvy Ltd. Ottawa, Director and Member of the Executive Committee of Retail Council of Canada; E. E. Went, Vice-President, Personnel, Dominion Stores Ltd., and Chairman of Retail Council Employees' Relations Committee; Lawrence Freiman, President of A. J. Freiman Ltd., Ottawa, and Director of Retail Council of Canada.

The Joint Chairman opened the meeting and read a request presented by Retail Council of Canada, for the following corrections to be made to their brief submitted previously for distribution, namely:

On page 8, paragraph 25(b):

Line 4—Delete word "*both*".

Line 6—Insert period after word "Plan".
—Delete words "*and because of the merits of this method of financing*".

(*Said corrections have been made in the said brief—See Issue No. 14, Appendix A8*).

Mr. McKichan was introduced and invited to make a preliminary statement.

The Committee agreed unanimously that the brief submitted previously by Retail Council of Canada be printed as an appendix to this day's Minutes of Proceedings and Evidence.

(*See Appendix A8*)

The examination of the witnesses being completed; the Joint Chairman thanked them for their contribution and they retired.

At 10:00 o'clock p.m. the Committee adjourned until 10:00 o'clock a.m Friday, January 15, 1965.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

THURSDAY, January 14, 1965.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mrs. Rideout and gentlemen, we have a quorum and we will begin.

Mr. MONTEITH: Madam Chairman, might I inquire whether you have any information about when we are going to get our minutes of previous meetings.

Mr. CAMERON (*High Park*): We have the minutes for December 11. The others are on the desk waiting to go to the printer this morning.

Mr. MONTEITH: You are putting in two meetings as one?

Mr. CAMERON (*High Park*): Two meetings, I think, yes. I cannot tell you exactly, but there are two folders and I imagine they are for Tuesday and Wednesday.

Mr. CHATTERTON: How long will it take before we get them?

Mr. CAMERON (*High Park*): We are just checking now. Mr. Dimock has to come back and check the evidence to see that it is in a proper form to go to the printer.

Mr. LLOYD: I would like to be assured that, in your arrangements for reviewing minutes, we are not taking too much time. I am a little concerned about that. It is all very well to be courteous and give people an opportunity to do this, but I would not like it to be done if it were to result in long delays.

Mr. CAMERON (*High Park*): The chief of the committee branch tells me they will be in the hands of the printer by twelve o'clock today.

Mr. CHATTERTON: How long will they be then?

Mr. CAMERON (*High Park*): I cannot tell you but it should not take too long.

Mr. CANTELON: If we are ready to start this morning, I have a question I would like to ask immediately if I may.

The CHAIRMAN (*Hon. Mrs. Fergusson*): You may.

Mr. CANTELON: I read Mr. Anderson's brief with great interest, and perhaps it is because I am not sufficiently educated that I found the first few pages very difficult to follow. I do not find it difficult when he comes to concrete matters, but the first few pages were difficult to follow. I hope this morning he will define for us the basis on which he founds his discussion. I ask this purely for my own sake because I find it very difficult to follow.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I am sure Mr. Anderson will make it clear when he gives his evidence.

We are very fortunate to have Mr. Anderson as our witness today. Some of you will remember that he was one of the most important witnesses before the King-Lesage committee in 1950. He has a great knowledge of the matters we are studying.

I would like to tell you a little about him because I have known him and have great admiration for him, and I would like to share with you a little of what I know about him.

After taking his B.A. in mathematics at Toronto, Mr. Anderson entered the employ of the North American Life Assurance Co. in 1924. He steadily proceeded through promotions until he became president in 1955, which he still is.

Mr. Anderson has taken a great deal of interest in things outside his work. At present he is vice chairman of the Ontario Cancer Institute; and when I was fortunate enough to meet him he was chairman of the executive committee of the Canadian Welfare Council, which position he held for seven years at least. You might also be interested to know that he was president of the Society of Actuaries, and I believe that only two Canadians have ever held this position; one is Mr. Anderson and the other is Mr. Holmes, from whom we heard yesterday. I think this will give you an idea of the importance of the evidence that Mr. Anderson is going to give us.

Before I call on Mr. Anderson I would like to know if someone would make a motion that we put his brief in the minutes.

Hon. Mr. CROLL: I so move.

Mr. FRANCIS: I second the motion.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It has been moved by Senator Croll and seconded by Mr. Lloyd Francis that Mr. Anderson's brief be placed in the minutes. Are you ready for the question? All in favour? Opposed?

Motion agreed to.

Hon. Mr. MCCUTCHEON: Madam Chairman, before we continue there is one point I would like to raise. Professor MacGregor apparently was unable to attend. We have had his brief and it is one that I think should be incorporated into the minutes.

Mr. KNOWLES: It was incorporated yesterday.

Hon. Mr. MCCUTCHEON: That is good. I apologize; I did not know.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I would ask Mr. Anderson if he would speak to us on his brief.

Mr. W. M. ANDERSON (*Chairman, North American Life Assurance Co.*): Madam Chairman, Mrs. Rideout and gentlemen, may I thank the committee for having invited me to appear personally in order to express some of my views in connection with your problems and to answer any questions which you may have and wish to put to me.

I think I should emphasize that I am appearing as an individual. I do not want any of my views to be regarded as being necessarily held either by my company or by any organization with which I am connected. I come to you as a person who has spent over 40 years studying various problems in the field of social security and the allied fields of private insurance, saving, pensions, taxation, national accounts, and other economic problems.

I must thank you very much for having been gracious enough to accept this paper, which I prepared fairly recently, in lieu of asking me to prepare another brief for filing here.

Before I begin, Madam Chairman, may I make one very mild correction to your introduction? You described me as being president of North American Life. For the last two years I have been chairman.

Hon. Mr. MCCUTCHEON: Semiretired!

Mr. ANDERSON: More of an individual, let us say, Senator McCutcheon.

Mr. Cantelon has already referred to the difficulties that he had with the first few pages of the paper, and I must confess that I have difficulties with them myself. They were remarks that were extracted from, and summarized in relation to, another paper which I had prepared several years ago and which the royal commission on taxation accepted a year ago in lieu of a brief.

While I would be delighted to spend some time explaining some of the views which I hold in the general field of redistribution of income, that is the net pattern achieved by income taxes and income transfers, I am afraid that it would not leave enough time, Madam Chairman, for discussions related

to your more immediate problem. I would be very happy at any time with any of you to talk at length in connection with that matter.

You will recall that the paper moves fairly rapidly into the kind of distinction that exists in our community between people who have access to earnings and people who have not. I have endeavoured to emphasize the kind of problem that has been emerging in our country and other countries, and the way in which it has such a major impact in relation to retired people, because they constitute a very substantial part of those who have not access to earnings and also because they live for comparatively long periods without such access.

I stressed in the paper the desirability of recognizing the necessity, if you will, of regular patterns of post retirement increases in income so that retired people can maintain a position in the community which is in harmony with that of the rest of us. In particular, I stressed the desirability of arranging for those increases in such a form that they are regular and flat, rather than systems of increase that are of a character of percentage increases in certain elements of their income, or even in all elements of their income.

In particular, I spent a lot of time on the possibility of moving toward an age-related old age security structure. I do not want to dwell on that at this point expect to mention two things. The first one is that further work which I have done since preparing the paper has strengthened my view that in Canada we could justify an age differential of as much as $3 per month per year per person in the old age security structure. This, of course, relates to material that the dominion bureau of statistics prepared in connection with the big population sample study in 1961, which has as yet not been published.

The second point, of course, is that since no other country has attempted to engage in age relationship in this form, except to the mild extent that Denmark grants five per cent increases when people reach age 80, I have wondered whether the thesis was sound because it had not heretofore been used. But on further analysis I find that a country must possess a combination of characteristics, which I think Canada has, that make this kind of action logical. As far as I have been able to tell, I can find no other country that has the necessary conditions precedent to consider the problem of age-related benefits as I suggested should be done.

When I come to my remarks about the Canada pension plan I think I should preface them by saying that I have never been opposed to earnings related benefit as such. In my studies of social security over the years I always have recognized that in certain areas, workmen's compensation, unemployment insurance and cash sickness benefits, earnings related benefits, are the only answer and they necessarily in those circumstances should be kept as high as is consistent with the application of good insurance principles. Admittedly, in those areas I do take the view that wherever it is practical to do so the government should take what I call the employer liability approach to the provision of earnings related benefits rather than to operate them through a state fund.

In my view, the priority for earnings related benefits in the case of retirement is relatively low and certainly does not rank ahead of the question of having an adequate and satisfactory flat benefit system not only for retirement but for other contingencies. In the area of disability and survivors' benefits, over the years my view has been that there is little or no priority for incorporating them in a governmental system except under conditions where the employer liability approach might be used, as it is on occasion in the disability field. I have had the feeling that for survivors and the disabled the flat benefit approach together with the readily available insurance contracts of various kinds presents a better solution. You will have noticed I have emphasized the desirability in the case of earnings related benefits for retirement of linking them as closely

as possible to the earnings level at the ages close to retirement rather than to the totality of the covered earnings of the individual. This is on the score that the major problem facing a state or government or public authority is one of providing for logical and orderly transition from the earner status to the retired status.

I have stressed throughout the paper the desirability of avoiding all forms of percentage escalation. In my opinion, percentage escalation is not a good instrument in the case of any kind of benefit that can be described as of the windfall type that is not, in fact, paid in in an equivalent value form of the contributions. This attitude relates to flat benefits as well as to earnings related windfalls. On the other hand, I must emphasize I believe in what I regard as absolute escalation that is the provision for post-retirement increases in absolute dollar form, which in my opinion, serves the over-all purpose much better, having regard to the variations in the public benefits and also the variations in the individuals' private income levels.

Another thing I have stressed, without giving it a name—and I would like to give it a name now—is the importance in any system of avoiding even the appearance of what I would like to define as "high grading." By "high grading" I mean a situation where earnings related windfalls are supplied in whole or in part from individual contributions or from general taxation. It seems to me that as along as you have unpaid-for benefits that are earnings related, the system should be described in such a way that it is abundantly clear to everyone that these earnings related windfalls come from the employer only. I have suggested in the paper a double barrelled method of accomplishing this.

I have suggested that this clarity might be achieved by the process of incorporating an explicit component in the benefit structure which consists of the refunding of the individual's own contribution in equivalent value form. I also have suggested that the law should establish two separate accounts, one that has its inflow from individual contributions and the other from employer contributions. With the system proposed these two accounts would have equal input. And, I would think the administrative expenses might be charged to the employer's account. But on the output side, and, much more importantly, it should be abundantly clear that all earnings related windfalls are derived from the employer's account.

The question as to where refunds come from is different. Depending upon the attitude taken by the government the refunds of employees' contributions could come from their own account, but in that kind of accounting the clamour for contracting out might present a very difficult problem.

Madam Chairman, I have views in respect of several other areas that are not covered directly in the paper. I would be pleased to present them, or alternatively, to entertain questions concerning them. I will mention the headings. There is the question of portability versus uniformity, the question of integration versus contracting out, the question of the general effect on private savings of this plan, the question of the whole principle of what may be called financial interchange or actuarial equivalents, or as the British actuaries describe it, the "one community principle". This is a view that I indicated in the early part of the paper, that under conditions where you have payments in one direction and in the opposite direction occurring at different times; as long as there is an agreed upon equivalence in value these two can be regarded as offsetting each other. I have endeavoured to examine this principle and some of the problems related to the plan in respect of this principle, such as the problem of provinces opting out of the plan. If you desire later I will make some remarks in this connection.

Some of the other areas that I mention relate to the question of retirement tests or earnings tests and the desirability and principle of applying them to all windfall benefits, whether earnings related or flat. I have some views with

regard to the question of excepted employment. I have some extensive views with regard to the grave problem which we face administratively in respect of what might be called legitimate overstatement of earnings. There are a number of different areas where this plan is going to produce earnings overstatements by individuals, admittedly with additional income tax. It must be remembered that part I of Bill C-136 is drafted in the atmosphere of a tax law and the Department of National Revenue normally does not mind people overstating their earnings, but under conditions where you have the equivalent of a negative marginal tax rate this becomes an awkward administrative problem.

Finally, Madam Chairman, I have one or two comments about the actuarial report as well as a comment in respect of its relation to the economic report. These are quite independent. Then, there is the compliment I would like to pay to Mr. Clarke, to Mr. Bryce and to all their colleagues in respect of these two documents. I think they are to be congratulated, and I think the government is to be congratulated for having people on its staffs who can prepare documents of the type of these two reports.

I think, Madam Chairman, I would prefer to leave any further comments because they may not be comments which the committee would like to hear at this time.

The only other point I wish to make is that in reviewing the Canada pension plan legislation I have continually asked myself the question why certain things were put in this bill as they were, why certain rates were used and why certain amounts were used. There has not seemed to me to be very much explanation why different kinds of things have been put into the bill. Of course, I have no difficulty in discovering where the different components came from, but I do find it difficult to understand why they should be tied together in this particular package for use in Canada under conditions where some of them may have been lifted out of different contexts from other countries.

I think that completes my preliminary remarks and I would be pleased to answer any questions which members may wish to put to me.

Mr. CHATTERTON: Madam Chairman, I for one would like to hear those other views of the witness before we start questioning.

The CHAIRMAN (*Hon. Mrs. Fergusson*): What is the feeling of the committee in this regard? Is it your desire that the witness give views on the subjects he has mentioned or do you think at this time we should move into the question period?

Mr. CHATTERTON: Madam Chairman, in my opinion if he did give these views at this time it would put myself and perhaps other members of the committee in a better position to put more intelligent questions.

Mr. ANDERSON: Are you referring to that point at which I indicated I have certain views in respect of other matters.

Mr. CHATTERTON: Yes.

Mr. ANDERSON: Well, I can do that. I will try to do it very briefly, just indicating the kind of views I have, and then if there are any questions in that respect I will elaborate on them.

The CHAIRMAN (*Hon. Mrs. Fergusson*): If that is agreeable to the committee, would you proceed, Mr. Anderson.

Mr. ANDERSON: In the first place, I will speak on the question of portability versus uniformity. It seems to me there is a great deal of confusion here. As far as I can see, uniformity means the process of making a plan consistent between the members of that plan at any one time, remembering that no plan, private or public, stands without change for long periods; that it is very rare to see a pension plan of any kind that does not go through alterations on various occasions. The United States plan is possibly a very good example; it is altered

very regularly once every two years, nevertheless at ony one time it is consistent as between its members and therefore it can be regarded as uniform. On the other hand, portability means the process of making sure that an individual who has successively been a member of several different plans can preserve the several pension rights which he acquires. It has never seemed to me that there is any important virtue in trying to make different plans uniform in order to assist portability. Portability is merely a matter of desire. I think almost any actuary in Canada, United Kingdom or United States will tell you that there are no problems about portability except the desire to achieve it, and it can be achieved quite independently of whether several plans to which a person has belonged are uniform or not; in any event they will not be uniform over a long period of time. If a man works in one plan during the first half of his working life and in another plan in the second half, there is not one chance in a hundred that these two plans will be the same because they are operating at different periods.

My second point is on integration and contracting out. If I may put it this way, contracting out is merely negative integration, or integration is merely negative contracting out; in other words they are the opposite processes depending upon which plan does them. All that is happening really is eliminating the overlap that may exist between two plans when the individual belongs to them concurrently. The process of getting rid of the overlap is one which can be carried out unilaterally by either plan or can be carried out very often by joint agreement between the plans, and this process rests entirely on what I mentioned earlier, the principle of financial interchange; that is merely exchanging an input at one point for an output of equivalent value at another point in time.

In connection with the problem of the provinces, a province that wished to establish a pension plan by no means needs to opt out of the Canada pension plan as long as it is going to provide benefits that are at least as great as what the Canada pension plan contributions would buy. Of course, this means a very low level of benefits in the transitional years and a modest level of benefits at all times. As long as this province is going to establish benefits at that level, it can integrate very readily just like a private plan does. It can integrate by saying to the individual, "We drop your contributions to our plan by the amount of the Canada pension plan contributions, and correspondingly we reduce the benefits in our plan by what those Canada pension plan contributions would buy if they had been put into our plan." It is a perfect example of financial interchange. However, under the conditions of section 94(a), granting concurrent rights to the federal government and the provinces, it is also indicated that if there is a priority position, it is the provinces that have it.

Therefore, the thing that worries me is that the Canada pension plan is not going to say to a province, "If you put in a plan and we have this plan, let us decide who is going to do the integration, whether it is more convenient for you to do it or for us to do it". This will have no financial effect on either plan; it does not even affect the question of who holds the money because the Canada pension plan will let the provinces hold the money in any event. I do not see any reason why the provinces need to be worried about the question of opting out in the fashion in which the Canada pension plan suggests.

There were two very good reasons for Quebec going her own way: The first one was practical. Quebec has a lower ratio of retired to active people, and presumably will continue to have this lower ratio for a good many years to come. Therefore, the funding formula is not satisfactory; that is, the Canada pension plan allocation of funds to the provinces would not be satisfactory for Quebec because she would not get as much money as she does by running

her own plan owing to this lower ratio which will exist for a long time. Secondly, Quebec has a psychological problem. I am very sympathetic with it. If I had been in Mr. Lesage's position, I most certainly would have decided that I would establish my own plan because it is more in keeping with the over-all philosophy that Quebec has adopted.

In relation to retirement tests, I mentioned that I thought they should be applicable to all windfall benefits. I feel that you should re-examine the question of whether or not the retirement test should not operate in the field of disability and survirvorship benefits as well as prior to age 70 in the earnings related pensions benefit. I think you must look at the form of the retirement test. One particular point is that in Canada our pension benefits are subject to income tax; in the United States they are not. All their old age security benefits are tax free. This means that in Canada a taxpayer subject to the retirement test is not as severely punished as a non-taxpayer. You are going to be accused of the fact that a person who earns money after retirement and becomes subject to income tax, if he is a taxpayer, can lose only his benefit less marginal tax, whereas a person who is not a taxpayer can lose the whole benefit. I feel, in fairness and in self-defence, that the form of the test should be altered on that score. I am somewhat doubtful whether the form of the test is satisfactory, having regard to the much greater spread in the levels of benefit that will exist in Canada as compared with the spread in the United States.

Our benefits under the Canada pension plan will range from virtually zero up to the maximum, whereas in the United States the benefits vary only between the minimum and the maximum. Under these conditions one wonders whether the person with the small benefit under the Canada pension plan should be subject to the test at the $900 earnings level, or whether he should not be allowed to have greater earnings before the test applies. For example, one might say that the test would not start to operate until the point when the man's earnings plus his benefit are equal to, say, $1,500, and only beyond that would the retirement test start to apply.

On the question of legitimate overstatement of earnings, I am really bothered about this. I look at Taxation Statistics and I find that our self-employed people in Canada are currently claiming about $10 billion in deductions from gross income. I am not talking about exemptions here, I am talking about deductions, which include about a billion dollars in cost allowances. The atmosphere of the Department of National Revenue is such that the taxpayer has every right to delay taking deductions. He can always defer them and say, "I will not take them this year; I will take them next year." He is told he can do this in connection with the capital cost allowances. Under these conditions self-employed people are likely to tend to overstate earnings, in the early years of the plan at any rate, and if they are close to retirement, in order to secure maximum benefits, and having delayed taking these deductions, they will then take them perhaps in the 65-69 age range in order to avoid having the retirement test applied to them. Perhaps we are content to have this sort of thing happen, but I think we should at least realize that our own tax laws are going to permit it to happen, and we should examine whether or not it is our intention to have the system operate this way. If it is not our intention, we should do something about it. There are other areas which I do not wish to mention. I just mentioned this one as an example, but some other examples are equally valid.

Hon. Mr. McCutcheon: You mean you do not want to give people ideas.

Mr. Anderson: Let us put it that way. I would be very happy if any member of the committee wished to hear some of these other examples of

possible overstatement of earnings, but I do not think the committee is very much interested in having them on the record.

In the case of excepted employment, I am really worried about the way in which the act, in a cavalier fashion, says "If we cannot tax the employer, we exclude the employee". This does not seem to me to be a fair process. I would have thought that it would be much fairer for the act to say "If we cannot tax your employer, then your wages are self-employment income." I trust that you may see fit to question Mr. Myers about this point this afternoon because it is my understanding that this is exactly what the United States does in a number of cases of excepted employment. For example, if I am not mistaken, in the case of a United States citizen working for the Canadian embassy in Washington, Uncle Sam cannot tax the Canadian embassy, but he goes to the United States citizen and says, "you are self-employed for the purposes of the act, you file your wages in your tax return and you are covered"; it is not an option, it is compulsory.

With regard to the actuarial report I have been a little disturbed that in the form of the long term forecasts suggested it is not possible for the actuary to give to you, to me and other interested parties any kind of a summation in respect of costs of the plan other than the long string of ratios of benefit payments to earnings that extend through into the next century. When I say not possible, I say this in the sense that in five of the six forecasts, as I understand it, one cannot in theory construct the equivalent level premium. Even if one could,—and one can in the first high cost three per cent forecast—level premiums cannot mean much in a system like this; they are completely unrealistic and nobody pays much attention to them after they are calculated. However, over the last several years it has seemed to me there should be some method of assembling a great mass of figures like this in such a form that one rather meaningful single statement can be made about them. I have in mind a method which I have studied and which Mr. Myers, I believe, has described as the "frozen initial surplus" method; but I do not think the committee would like to have it described in detail. What I would like to do is ask whether I might have your permission or whether Mr. Clarke might have your permission for us to discuss it. I have not felt free to talk to Mr. Clarke for the last couple of years, but I would be pleased to be able to talk to him on a particular subject if I were authorized to do so.

I have some wild worries about the immigration forecasts, but they are mild because the assumption is so low. If the forecast had a larger immigration assumption, I would worry about it very much on two scores; first, because the pattern of immigration is such that the immigrants tend to be young and when they land in Canada, according to Mr. Clarke, they have a birth rate at that time of approximately twice that of the domestic population, and also since they are a bit younger than the domestic population they have an immediate rate of natural increase which is close to three times that of the rest of the population. This means that if the immigration assumptions were large we would in effect be importing a profit into the system which in a sense may be spurious because of the fact that the power to compel people to do things has not yet reached the stage where we can compel immigrants to come to Canada nor has it yet reached the stage where we can compel people to stay in Canada. Mind you, this is an argument in semantics, if you like, but I am a little afraid there is some question of the propriety of making an immigration assumption for an open group forecast of this kind.

I asked Mr. Myers about this and he said the immigration to the United States is so low they ignore it. He said they do not even know what part of their population may consist of immigrants. I leave this matter with you, Madam Chairman, to see what you think.

With regard to the problem of the distribution of the Canada pension plan benefits between age groups, as the system moves towards maturity, I recognize that Mr. Clarke's forecasts are in such a form that it is not possible to identify accurately the proportion of beneficiaries in each age group at different stages of time, nor the average level of their benefits. However, it is possible to calculate for each age group or each year-of-birth cohort—certainly for each five-year cohort— the average benefits per cohort member. Mr. Clarke tells me that if, for example, you ask him for the year 1980, in respect of the people then aged 75-79, what would be the average Canada pension plan benefit per person in that age group, he could give you this and do it, I expect, with reasonable facility.

I happen to be quite interested in these figures, because one of the points I have been trying to bring out is that the Canada pension plan will operate in such a way that literally at all times in the future the lowest average benefit will be paid to the oldest among the retired, and I think it would be most helpful to see how these averages are going to move; that is, whether in 1990, say, we will be in a position where there is a very much larger average benefit per person in, say, the 70-74 group than in the 85-89 group, and if so is this something that is satisfactory.

There is one other point, Madam Chairman, and this one really bothers me. I might preface it by saying I wish to make a reference to the economic report first and say that I have been a little worried about whether the problem of analyzing how the shifting will occur is not likely to be affected by the fact that the Canada pension plan introduces a change which is of a very pervasive and wide-spread nature rather than the kind of change in an economy which will affect different people in different ways. The introduction of virtually a universal payroll tax seems to me to have a different impact than the kind of changes which affect some employers to a large extent and other employers to a smaller extent. Correspondingly I wonder whether the fact that the fund is distributed among the provinces and therefore will be used in concentrated and more or less co-ordinated form may not have different implications from the situation which would exist under conditions where there was a greater diffusion of it through the capital markets.

The place where I wanted to bring the two reports together is a peculiar one. You have proposed that old age security will be made available at younger ages. Within a few years a person at age 65 will be able to get $51 a month at age 65 in lieu of $75 a month commencing at age 70, and presumably if there is a change in old age security level, this change will occur in proportion. First there is the minor point in respect of whether the escalation—the price indexing—of old age security benefit does not introduce a different relationship to the ratio of 100% to 68% or $75 to $51. I have the impression, if my arithmetic is correct, that the promise of escalation at an estimated rate of 1½ per cent per year alters the ratio between these two options, but nothing seems to have been said about this point.

The main point is that in Mr. Clarke's earlier report he indicated the cash flow effect of allowing old age security benefits to be taken earlier. In his earlier report, which extended the short term forecast through 1974,—and with extension to 1975 which was easy to make—and then multiplying up to the $75 level from the $65 level, which also was easy—it appeared that by the end of 1975 the extra cash flow due to the use of the option would be about $1,800,000,000. From his longer term forecast it looks as if this aggregate would have increased to somewhere around $2½ billion before it finally levelled off; that is, from that point on there would be no difference in the cash flow under the two options. You would be paying out the same amount of money if everybody had taken out benefits at age 65 as you would

if everybody had taken them out at age 70. The $2\frac{1}{2}$ billion is a reasonably significant amount even if spread over a period like that. Under the new proposal there are some mild alterations in these assumptions if you exercise the early option, but on the other hand the escalation is involved too. I would guess that in the year 1985, the last year of Mr. Bryce's model, there would be an additional cumulative cash flow from the old age security fund of somewhere around $3 billion as a result of people taking the earlier option, and perhaps by that time the problem would have more or less finished off and you would not worry about it any more.

Here is what bothers me. What is this cash flow? We have said this is taking an actuarial option—virtually that.

You adjust your benefit to $51 a month, to be worth $75 a month, maybe with zero interest or something of that kind. It is pretty close. When I asked the government annuities branch for figures on their actuarial reductions, it was very close to this. Now I do not think an actuarial equivalent represents a charge on the expenditure side. When a civil servant retires and asks for an optional superannuation account annuity which is different from the normal one, the incidence of his cash payment—he may be getting a survivorship benefit or a guaranteed benefit—does not affect the government's revenue and expenditure position because all he is doing, as I understand it, is to exchange two equal things.

As far as I can see this $3 billion does not represent an expenditure but in fact merely represents a prepayment of future obligations, and it should be accounted for as such. When I look at the two reports, I cannot tell what is being proposed. Mr. Clarke is completely silent. He says nothing about the age adjustment of old age security, although in his first report he gave it in elaborate detail. But the assumption as far as I can tell, unless I am mistaken, is that it is Mr. Clarke's understanding that this will be treated as an actuarial option or a cash flow problem. Well, if this is the case, Mr. Bryce ought to have recognized the big extra cash load on the national account basis, and that the use of the actuarial option will affect the surplus of the government because cash payments of this kind are treated as transfer payments. No matter how they are being handled. They appear in the national accounts at the time the cash flows out.

Unless there is the queerest coincidence, that according to Mr. Bryce's forecast the total government surplus (excluding the Canada pension plan fund) over the years should exactly equal the upward movement of this cash load as it comes in through the years—unless that happens, there is something wrong with those two reports when you put them together.

Mr. Bryce has already said—and I agree with his assumption—that for the purposes of the model we assume, excluding the Canada pension plan, that the government surplus, that is the national accounts surplus for all levels of government, will be taken as zero during the period. But if he is saying that he implied that for purposes such as the acceleration of old age security the governments will run a surplus of $3 billion through that period, and, therefore, he has not taken it into consideration, then those two reports do not jibe.

I am sorry to have taken up so much time in bringing this matter to your attention, but I am a great supporter of the government, and I do worry about these things.

Hon. Mr. McCUTCHEON: It is nice to have an objective approach.

Mr. ANDERSON: I am not bringing it up without the government's foreknowledge, because I raised it with certain of the ministers over a year ago. On the other hand, if the government proposes to charge this $3 billion against the old age security fund when it is merely the exercising of an actuarial option, and therefore proposes to raise $3 billion more in the old age security

fund by taxation, this amount, in my opinion, has a much greater priority in other directions. So I think at least we should be told that this is to be the proposal. I do not know if there is an anomaly. Either the two reports do not jibe, or alternatively the proposal is to regard these accelerations as an expenditure rather than as a financial interchange. But if it is to be an expenditure it would seem to me that if Mr. Clarke's report relates to the bill as a whole, and I assume that it does, you should ask him to give you a run-down as to what the extra outflow is going to be under the amendment to the Old Age Security Act which is in the bill, which is creating these accelerated options.

If they are to be treated as an expenditure, I think you will want him to estimate what it will amount to, but if not, it will be a question of a little readjustment, and I think you should ask Mr. Bryce whether or not his model going through to 1985 should not be adjusted to allow for this additional $3 billion outflow. This has puzzled me very much, and I am sorry it has taken so long, But I hope it puzzles you just as much as it has puzzled me.

I think those are the only points I want to make at this time in regard to these matters.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much. Are there any questions. In any event I have a list. I have Mr. Macaluso.

Mr. MACALUSO: I pass.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Next I have Mr. Cashin.

Mr. CASHIN: In defining income transfers you suggest that veterans' allowances and workmen's compensation should be excluded.

Mr. ANDERSON: Yes.

Mr. CASHIN: Is that a stand which is generally taken?

Mr. ANDERSON: No, it is not, but I would comment on it: In the first place, with respect to workmen's compensation, I have taken the view that in Canada it should be excluded on the score that in a number of other countries workmen's compensation is conducted under the liability approach by private carriers, and therefore is not a government function. In Canada it is really a provincial monopoly. But it could be likened to the case of a crown corporation, so it does not seem to make sense to regard it as a transfer payment. If you gave a workmen's compensation board a slightly different structure and said that this is a crown corporation which provides workmen's compensation, then we could take it out of our transfer accounts, because we could then say that it was not a transfer payment.

In the case of veteran's benefits, I am inclined to make a distinction between veteran's pensions and veteran's allowances. Veteran's pensions are based on a disability concept and are really something that has been service connected, which goes back to the man's employment by the government as a member of the military forces. And I think as far as veteran's pensions go they are quite akin to workmen's compensation; that it, they are payments by virtue of the fact of the man having been employed by the government, which employment has caused the creation of the disability.

On the other hand, in the case of veteran's allowances, I would agree that preferably they should be in the transfer payment area. My further thinking leads me to this conclusion.

Veteran's allowances are to some extent means tested, if you wish, and certainly I think it can be said that the effect of the veteran's allowance payment has a direct impact on other assistance programs. In other words, if they were not there, then our other assistance programs would likely be more or less that much higher. Therefore, I feel that veteran's allowances should be classed as transfer payments, and I think that veteran's pensions could be regarded as deferred compensation.

Mr. CASHIN: You refer in your reasons for doing this to the practice of the international labour office and the European common market.

Mr. ANDERSON: When one makes international comparisons it is very desirable to try to get a denominator which is as common as possible.

Mr. CASHIN: In the case of the European common market or of the international labour office, for the purpose of international payments do they make the same distinction?

Mr. ANDERSON: There are two general patterns which are in use. One method is to keep them as close as they can to the pattern used by the I.L.O. The other is a pattern used by the people who keep the national accounts in the various countries. In both cases they have tried to keep patterns which are uniform throughout the world. I understand that they have tried to make the two sets of patterns as closely consistent as possible, but this does not mean that in a particular country, when it has a particular situation, that the general pattern which is used to determine what is occurring in different countries is necessarily the right pattern for it to use.

An example I mentioned earlier is one which exhibits the inconsistency of what is occurring. When a workmen's compensation plan is privately conducted by insurance carriers it does not appear as a transfer payment in the national accounts. But yet, in the I.L.O. comparisons my understanding is that workmen's compensation payments are classified as social security benefits, whether they are run by the state or run by private carriers. This is one of the problems of consistency that you run into. I think you must try to cope with the problem when you are studying your own country in the way which best seems to fit the circumstances.

Mr. AIKEN: Mr. Anderson, you have covered a good deal of ground, and we will all be very happy to cogitate after we read the evidence. There are several points I would like to have cleared up, however.

Mr. ANDERSON: Are you using the paper, Mr. Aiken?

Mr. AIKEN: No, I am using your stated comments of today.

The first interesting matter that I would like to discuss is the question of two accounts, or the so called windfall benefits. You suggested there should be an account for employers and an account for employees. I would assume from that that a self-employed person would be classified as an employee. Would this be so?

Mr. ANDERSON: I suggested that since our self-employed people are brought into the scheme on a basis of trying to make their position as consistent as possible with the employee, you would take the self-employment tax and break it in the same way as you broke the other tax and say "you are paying this part of the tax as an individual and you are paying the other part because you employ yourself." So you put this tax, broken in the same way, into the two accounts.

Mr. AIKEN: He would pay half and the employer would pay half?

Mr. ANDERSON: Yes, if the taxes are equal.

Mr. AIKEN: Then do I understand that the logic of doing this is to avoid a situation in which individual employees who may have a smaller benefit rate would in effect be paying the windfall to those who have a larger benefit rate?

Mr. ANDERSON: If you leave the system the way it is now; let us say I am lucky enough to get the full $1,250, the $104.17 a month, and the escalation, according to my calculations at the stage where I get it my employer and I will pay for about six per cent each. The other 88 per cent will be coming from someone else and I will break the 88 per cent because the system provides equal contribution. I will have to say 44 per cent is coming from other individuals and 44 per cent from the employers. I do not want to be put in

the position where I am collecting 44 per cent of my benefit from the contribution of other individuals. I do not want to be accused of this. I do not mind collecting from the employers, but I think I am entitled to have the system described for me in such a way that it is clear that other individuals, some less fortunate than I am, are not having their contributions diverted to pay for part of my benefit. This has nothing to do with substance; it is a question of form.

Mr. AIKEN: I assume from this that the system presently proposed would bring about some unfairness or the appearance of unfairness to persons in the lower contribution bracket.

Mr. ANDERSON: That is right. I do not say that there would be any unfairness as long as you can demonstrate to me that for all time to come there will be enough employer money flowing into the system to provide for all the windfalls. I am describing windfalls here as benefit over and above what the combined contributions would purchase.

Mr. AIKEN: Have you made any estimate on the fact that the employer money would be providing the windfall, and how much?

Mr. ANDERSON: As I think I mentioned in the paper, my own estimate was that even long term, on reasonable assumptions—and I suppose the intermediate four per cent forecast is about the most reasonable or most likely of the assumptions—it looks as though the paid-for benefits, the benefits that can be bought from combined contributions, will be in the order of about 40 per cent of the total, and the windfall therefore will be about 60 per cent of the total. Even long term, if the employers are only putting in 50 per cent of the total the people who belong to the system are going to say, "Well, in some way or another my contributions are being used to help provide the windfall."

It is very simple to run separate accounts. My own employer has done this for years. We have always said we must have a separate account in our system for the employee contributions. It will be there and identified and segregated. In addition to putting it in as a separate account, we go further and make sure there is an explicit benefit component which will consist of what the employee contributions will buy. I think it has been described in your committee as a composite system. We say to the employee that we as the employer will provide you with the final average formula benefit which we will pay for. Then we say that, in addition, you will contribute and you will get what your own money will buy.

As you, Madam Chairman, will remember, I was involved in getting the Canadian Association of Social Workers to adopt this kind of pattern across Canada for a portable pension scheme, and it is a pattern that seems to me to work better than some of the other pension formulae I have seen.

Hon. Mr. MCCUTCHEON: It does imply at some stage a differential between the rate of the employer and the rate of the employee contribution.

Mr. ANDERSON: Yes. May I take a minute on this because it is relevant to the point, Senator McCutcheon?

At my last count we had 51 independent social security systems around the world that provide earnings related retirement benefits. Only two of those systems adopt the philosophy that the employee should put in as much as half the total, and those two systems are in the United States and the United Kingdom. I think there are 14 systems that have said that in order to clear up this problem they will supply the money from employers only.

I think it is worthy of interest that the two most recent earnings related schemes that have been adopted, Sweden and Finland, have both taken this attitude: "We are not going to ask for individual contributions. We are going

to make it clear that the little fellow is not paying for the big fellow." But even without abandoning contributions from employees—which I think would be preferable in Canada but I conclude is too late to think about at this stage—even where you do have contributions from employees, most of the countries have them at distinctly lower levels and, as far as I can tell, they have them at a sufficiently lower level that the employee's percentage of the total input will never be any greater than that of the maximum paid-for benefits.

Perhaps I might state this the other way round. They seem to adopt a pattern where the employer share of the total input—remembering that some of them have government contributions—will at all stages be greater than the ratio of the earnings related windfalls to the total benefits. If you can design a system in that way, all well and good.

Let me put it in another way. If that is the kind of concept you want to apply, what you would do is to say that through transition the employers will pay 90 per cent and the employees will pay 10 per cent, and then as you go along you will alter this ratio so that eventually, when you get to around the year 2000, you will be on a 60-40 basis, the employers paying 60 per cent and the employees paying 40 per cent.

The way in which we are designing this system is this. We are saying that the tax is on the employer; that is, the contribution is payable by the employer. Then we turn around, just as they do in the United States and just as we do with unemployment insurance, and say "You have a statutory rate of recovery up to 50 per cent. We are not levying the tax directly on the employee."

I have read your evidence on this. The employee is not being taxed; he is being subjected to what you might call a statutory right of recovery of a defined portion of the tax that is being levied on his employer. So it does not seem to me that is is necessarily the case that at all times you should have to take the view that the division is 50-50. However, whatever is the division, I think the position becomes much more clear if you say that we have two separate accounts; into one we pay what is recognized as the employee's share and into the other what is recognized as the employer's share. The other thing we do is to make sure that any earnings related windfalls can only be drawn from the employer account. They can never be drawn from the employee account. This has nothing to do with the problem of how you invest the money. You do not have to have separate investment funds to have separate accounts, as almost anyone in the life assurance business will tell you.

I am sorry to have taken so long, Mr. Aiken.

Mr. AIKEN: Some employers, employers of smaller groups of employees, have told me that in effect this is really what is going to happen; they will be paying their own half share in any case and the employee's half share will in effect amount to an increase in wages and the cost of the goods, although indirectly it will come from the employer and from the public in the increased cost of production.

Mr. ANDERSON: I will go further than that with you, Mr. Aiken. Just the other day I talked to the pension fund manager of a large plan and one that has a very lush pension scheme, if I may use that word. When I say "lush" I mean it is a better scheme than the civil service scheme. I was asking him what he was going to do about the Canada pension plan. He said, "Well, the company is going to pay the taxes. We are going to pay the whole 3.6. We are not going to alter the employee's scale. All we will do is say that we will put in the 3.6 and we deduct from your pension what that 3.6 would buy if it went into our plan." I asked him whether he thought this was very good education for his employees and he said, "Well, it's just a nuisance to deduct".

Mr. AIKEN: He is not in the business of educating!

Mr. ANDERSON: No. He went on to say, "We are in the position that we want to fund our plan to a greater extent than we are now doing, but unfortunately we have not been able to get approval of higher input; this in effect gives us approval for higher input because we will put cash into the Canada pension plan, but we will be relieved of liability for that cash after the employees retire. So we now have a higher degree of funding."

In the case of my own employer, for years we have had in our plan—because we operate in other countries—the provision that if and when a government desires to levy taxes for the purposes of a pension plan we just reduce our contributions by the amount of those taxes and reduce our benefits by the actuarial equivalent of the reduction.

Hon. Mr. MCCUTCHEON: By the actuarial equivalent of what?

Mr. ANDERSON: What they would buy if in our plan.

Hon. Mr. MCCUTCHEON: But, you still give the benefit of some windfall?

Mr. ANDERSON: They get the benefit of all windfalls. We have never taken any part of the windfall from an individual. On occasion what we have done is modify our plan for new entrants where a new government plan is in operation. We say to ourselves, as far as new entrants are concerned, we will redesign our plan for them in the light of the government plan, but with existing people we say we are not interested in windfalls. We do not want to make a profit out of integration but we do think we have a satisfactory plan with a satisfactory cost level, so we reduce our contribution by the amount of the tax and reduce the benefits by what that reduction will buy. It is as simple as that.

Mr. AIKEN: Thank you, Mr. Anderson. I had other questions but I will wait to put them.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Will you proceed Senator Croll.

Hon. Mr. CROLL: I found it very heart-warming this morning when I heard your remarks about the way we are designing this system.

Mr. ANDERSON: Yes.

Hon. Mr. CROLL: But, there was more than that to its because on December 22, you are quoted as having said that: "Everyone has accepted the Canada pension plan although some are not yet willing to admit they have. I have become reconciled to it and all that can be done now is to work on the details."

Mr. ANDERSON: May I correct that quotation.

Mr. KNOWLES: You are just like the rest of us.

Mr. ANDERSON: I want to correct only the date.

Hon. Mr. CROLL: Well, that is the date.

Mr. ANDERSON: I made that remark to Mr. Ronald Anderson two or two and a half months earlier.

Hon. Mr. CROLL: But the point is just as good today as it was then; in fact, it is better. But, I am looking for some information and I am looking forward to obtaining it from you. I was concerned with the aspect of income maintenance which you covered in your brief. You mentioned about increasing the income in retirement and benefits graded by attained age. These are the two aspects you dealt with.

Mr. ANDERSON: I did not catch the first one.

Hon. Mr. CROLL: You set out in your brief the income maintenance, which was to be maintained, achieved or activated by increasing the income on retirement, and you have given us a paragraph in your brief in that connection. It is at page 4, I think.

Mr. ANDERSON: Which copy do you have, the mimeographed or the printed copy?

Hon. Mr. CROLL: I am sorry, it is at page 5. You mention increasing income in retirement. Then you went on to page 7 and you have a paragraph on benefits graded by attained age. Those are the two. In light of your attitude toward this plan which, of course, I appreciate very much, do you see any way that the age graded social security benefits can be revised or that the two plans can be complementary?

Mr. ANDERSON: Quite. Let me put it this way to you. If you can satisfactorily solve the problem of post-retirement increases for people already retired and make sure that people in retirement will have their incomes kept up to date—if that can be solved satisfactorily—then, quite naturally, you approach the problem of what do you provide them with initially. I happen to feel that as far as earnings related benefits are concerned, it is likely that most of the problem can be handled more satisfactorily without government action. There are very many people who feel differently; they say that more government action is needed in this area. So, my view has been that you take government action that relates to the earnings close to retirement because it is those earnings that are creating this problem of transition from active life to retirement. I will go farther and say you need not provide pensions for this.

For example, I find when I examine the Canada pension plan that the benefits provided through transition are the financial equivalent of saying to a man "for each year of coverage we will give you six months retirement leave at two thirds of your pensionable earnings". It means that if a man has 10 years of coverage he gets 60 months retirement leave at two thirds of his pensionable earnings, which, of course, means this carries him to 70, when he gets on to the old age security structure. His employer can defer the private pension so it will not start until age 70. This is one of the ways in which this problem for the individual of transition from activity to retirement could be handled satisfactorily by the government. They would say: "You have been earning so much close to retirement; during the post-retirement period close to that retirement, we will give you these extended retirement leaves." You would be delivering the same financial effect as the Canada Pension plan should an individual come along and take the retirement leave money in the form of a life annuity. But, this might be a more satisfactory type of procedure for people than insisting they have an earnings related pension.

Hon. Mr. CROLL: I gather from reading these paragraphs you mean something more than that, and I am not sure that I know what you mean.

Mr. ANDERSON: I think the problem that may be bothering you, senator, is the overtone, that with the progress in our community that is occurring, the average age at which work is being performed is about 39 and the average age at which retirement is enjoyed is approximately 74, and during that interval wage rates and spending roughly have quadrupled. I was making the point that an individual who wants to maintain the same relative position in the community when retired as he does when active must achieve pension levels that are away beyond anything that we have been thinking about so far either at the private or public level, or the two combined.

There is a statement at the top of page 5 that in the case of a typical worker with a dependant spouse who has enjoyed average wages and has raised a normal quota of children; in such a case retirement income will have to average twice the career average wage in order to maintain the same relative consumer spending position during retirement as that which obtained during the working years. This is what I was talking about. I am merely emphasizing the point, Senator Croll, that no matter how much we can do privately and how much we can do publicly I still do not think we are going to fulfil these goals, which are legitimate goals.

Hon. Mr. CROLL: I think you have covered that now. Earlier in your statement you said that the only answer is the escalation of the earnings index. Is that right?

Mr. ANDERSON: No.

Hon. Mr. CROLL: All right. In respect of price index and earnings index which do you suggest or which do you support, and for what reason?

Mr. ANDERSON: I would not use the price index for any purpose, and if I was going to use it I would not use this one. I say that on the authority of the Dominion Bureau of Statistics, who have said this is not the correct one to use for expressing incomes in real terms.

Hon. Mr. CROLL: But this is a method very much employed in other countries, particularly continental Europe.

Mr. ANDERSON: But, I am not sure what price index they use.

Hon. Mr. CROLL: Neither am I sure.

Mr. ANDERSON: If I were going to escalate on price I would say that one should use what they call an implicit currently weighted index, the one used in national accounts, and apply it not to consumer expenditure but to the kind that retired people engage in. That is academic. I think you have to do more than merely correct on price. Mr. Knowles has made this point within the committee. He said the upward movement in the standards of living is more important than the upward movement in price. They are more important in magnitude and from the point of view of the individual. We hope we are going to be able to keep prices from increasing but, on the other hand, hope that we will be able to enjoy a very rapid upward movement in our standard of living, and we should have some method of adjusting all of this so that retired people can participate in this upward movement in the standard of living.

Hon. Mr. CROLL: Is it your suggestion that we use escalation by earnings?

Mr. ANDERSON: It is almost exactly that. I suggest that the basis of escalation is, in effect, by earnings or, alternatively, by total consumer spending per person, but these two have almost exactly the same meaning because there is a ratio of long term stability between spending per person and earnings per worker. May I state this in simpler form and one that appeals to me. If you look at the series of earnings per capita, that is, take the total of earnings in the country and divide it by the population this is what the earnings would be in Canada if they were all divided up equally. If you look at that series, the movement in the series indicates the way in which retirement incomes must be moved. That figure for last year was $110 a month, and during the post-war years it has been moving up about $3 per month per year per person. In effect you say that if the increase in earnings in the country were equally distributed among everybody in the country this is what you would get as your share, and so, since you are no longer in the position of having access to earnings, we see that you do get it. It is almost as simple as that.

Hon. Mr. CROLL: I want to ask you one more question. You are so knowledgable on this matter that I think you can answer it. In your conclusion you say:

> Finally, may it be suggested that Canada should not copy pension patterns.

I will not read the rest, not that I disagree with it but it is not so relevant to what I want to ask you. My question is this: Is this something that has been done before? What I mean is what we are doing now, is this something

that has been done before? What other countries have combined it in this way? What other countries have taken the flat rate and combined it with the pension rate for the purpose of making provision for its people?

Mr. ANDERSON: The United Kingdom has done it in this way.

Hon. Mr. CROLL: The United States did not have a flat rate; the United Kingdom had a flat rate. Did they add the pension aspect to it?

Mr. ANDERSON: They added an earnings related supplement to their flat rate.

Hon. Mr. CROLL: When?

Mr. ANDERSON: I think it was in 1958. This is what Sweden did around the same time, they added an earnings related supplement to their flat rate, and so did Finland recently.

Hon. Mr. CROLL: You say there is a precedent for what we are doing?

Mr. ANDERSON: There is a precedent for the principle of adding an earnings related supplement to a flat rate benefit. I think the United Kingdom, Sweden and Finland are pretty good countries to look at for precedents. In particular, if we adopted Finland's approach, we might have had this in operation by now.

Hon. Mr. CROLL: We have a different problem in this country from what they have in Finland.

Mr. ANDERSON: I have found by experience that the things the Finns do they do very well.

Mr. KNOWLES: Madam Chairman, I would like to direct my first question to what has been referred to as the philosophical basis of Mr. Anderson's paper. I realize that any attempt to oversimplify such an important statement is very difficult, but would I be on the same wavelength at any rate if I were to ask you, Mr. Anderson, whether you feel that the wages and salaries that people in our society receive do not necessarily reflect their contribution or their entitlement and that we are on good ground in going in for redistribution of income, and particularly on sound ground in trying to do that in the field of old age retirement?

Mr. ANDERSON: First of all, may I say, Mr. Knowles, that when you ask whether we are on the same wavelength, you and I have been on the same wavelength for years except that neither one of us has wanted to admit it.

Mr. KNOWLES: Thank you.

Mr. ANDERSON: The point you made is quite correct; we have the sort of economy that pours its productivity gains out through the earnings stream. Unfortunately, not everybody participates in the earnings stream. The most unfortunate group are the people who go for long periods without participating in the earnings stream. Socially we must find methods of putting them in the position and keeping them in the position where they would be the equivalents, if you like, of the dependants of earners, if not earners themselves. If we were still in the kind of old patriarchal economy we had, we would not be worried about this problem because the elders, the grandfather and so on, would be living with their children and thereby participating because their children are earning money. This is not the way in which we live nowadays. These people are cut off, and there must be a method of keeping them in step with the rest of us.

Mr. KNOWLES: You and I agree that in the attempt to provide adequate or even generous standards of living for old people we are not indulging in charity or trying to give the economy a ride, we are doing a sound, sociably desirable, thing.

Mr. ANDERSON: I might put the latter part of your remark in another form. What you are really looking at in any age group is not the destitute and not the wealthy. You are looking at the mass middle majority of the people. These are the people that have constituted the core of our working force. If you want to define it in other terms, I would say there are 25 per cent at the bottom of the income pattern where in general the needs tested benefits are about the only satisfactory solution. At the top there is another 25 per cent that are reasonably well off. If they have redundant flat benefits, we can arrange to see that they are reduced by income taxes. It is these people in the middle, the mass middle majority, who really constitute the core of the nation and who move to retirement under conditions which, if you do not do what you and I are talking about, will leave them standing still. My own opinion, of course, is that if you start out with this mass middle majority in the flat benefit type of structure you should ensure that it will increase as people get older. Whether we do it the expensive way in which we have done it over the last 12 years or do it by a method that I suggest which is much less expensive and much more sure and efficient, I do not care, but I feel we are going to have to do it. Every country has had to do it, has found that it has had to adjust the benefits of the people who have been in retirement for long periods. They may do it automatically or by an index. They often do it by legislation. Even countries that have index adjustments often have to legislate because indices do not do enough.

In general the upward movement of the average income of retired people born at the same time must be very close to the upward movement of the average consumer spending per person; this is the level of the upward movement that has to be carried through these long retirement periods. The question of whether each person enjoys an equal amount of movement or whether in some way you use percentage escalation on some or all of their other income is a different one. I take the view that among the people in the same age group the ones that have the lowest private incomes are likely to have declining private incomes after retirement, whereas the ones with higher private incomes are likely to have an increasing level of private income after retirement. I therefore think that the right answer is not to engage in a percentage escalation, and the best answer is to provide level flat increases for this mass middle majority because it is more in keeping with the objective we want to achieve.

Mr. KNOWLES: Maybe I should now stop speaking while I am winning.

Mr. ANDERSON: Do not forget, Mr. Knowles, that while you and I may agree on what to do, we may disagree on why we do it.

Mr. KNOWLES: So long as we do it it is fine.

I will be very brief. I will not go into my feelings about your desire to see the pension increased year by year. I think it is an excellent statement and I hope we get to this at some time.

I would like to ask this question: What about the base? You do propose in your paper $3 increases as people go up from the age of 70 to higher ages. What about the $75 base?

Mr. ANDERSON: In effect what I have proposed—I do not think I stated it explicitly in this way—is that there should be a part of the structure that provides $3 per month per year over and above some specified age. This might be an independent component of the structure, but in the light of that independent component you now look at the question of what are the benefits you have to provide.

Mr. KNOWLES: You would agree that the 73 year old this year should get a certain amount because he is 73, but if he is 73 years old 10 years from now he would, in the light of our philosophy, get more.

Mr. ANDERSON: Not necessarily, because the 73 year old 10 years from now can be expected to have brought into his retirement a private income level about 50 per cent higher.

Mr. KNOWLES: I mean more in totality.

Mr. ANDERSON: Oh, yes, more in totality but not necessarily more from the government.

Mr. KNOWLES: One of the things we may have to do is to adjust both or all the components of the retirement program.

Mr. ANDERSON: Look at it this way: From what evidence I can gather, the private incomes of each age group upon retirement will remain approximately level while they are retired. When I look at these very high age groups and examine their private income after deducting their pension I find that the average private income levels are about what the per capita income was at the time they retired. They appear to remain level for the people born at a particular time who tend to have a continuing level income from private sources, but since their total income has to move up about $3 per month per year in order to keep pace with the community, that means that in some way or another the public sources must provide $3 a month increases. We might possibly get to the stage where this is all that the public authority needs to do. If the people were generating relatively satisfactory private incomes to the point where when they retired the only thing that would remain necessary at the public level would be to provide the increases, we still would have to provide a needs test for the extremely low incomes, but you could move to a position where you provided nothing else except the post retirement increases. If I might explain this in another way, suppose that back in 1950 when you and I were discussing this matter before the King-Lesage committee—and Senator Croll was there too. I do not know whether there was anybody else.

Hon. Mr. CROLL: Senator Smith.

Mr. ANDERSON: Yes, Senator Smith. Suppose that back at that time we could have foreseen what was going to happen over the next 14 or 15 years and suppose we knew we were going to go through this 15 year period of rising incomes, no depression, no significant war problems and so on, and each group of people coming up to retirement each successive year was going to bring in higher resource levels, as they are doing now—suppose we could have foreseen that—I think what we would have done would have been to say let us start out with our $40 and anybody coming to age 70 gets $40 to start with, but once people are on the system they will get flat increases. We probably would have said $2 increases; if we had the foresight, that is what we would have done. This means the rate is $40 to start, but you get $2 per year after that.

The reason we did not do it was that when we looked at the people 70 and over back in 1950 and the fact that almost half were qualifying by means tests, it would not have made sense at that juncture. At that time we had come through a depression, a war, a post war inflation, and so on, and the committee was faced with the abnormal period we had passed through. However, today the situation is different. The information I get from the population sample study made at the time of the census indicates that back in 1961—leaving out old age security, old age assistance and the supplementation that goes with them—for the population aged 70 and over the average level of private income for all individuals excluding old age pension was $78 a month. Now, when you look at these people age group by age group, the people aged 70-74 had an average level of $94, the people 75-79 had an average level of $69, the people in the early 80's, had an average level of $59, those in their late 80's had $51, and those 90 and over $47. If you merely compare the early 70's to the late 80's,

which embraces the great majority, you would see that for the early 70's it is $94 and for the late 80's $51. This is a drop of roughly $3 a month per year of age. This is the pattern which existed in 1961. If you had an age related system at $3 a month per year of age in operation, then you would find the totals all about the same and you would have had our old age population in a position where the average total incomes were independent of the age groups which I would think is a perfectly normal social objective.

Mr. KNOWLES: I welcome, as does Senator Croll, and others, the fact that you accept the Canada pension plan but suggest we should endeavour to make some improvements in it.

Mr. ANDERSON: I do not think I said I accepted it. I said I was reconciled to it.

Hon. Mr. MCCUTCHEON: You accepted what you consider to be inevitable.

Mr. KNOWLES: You are giving us some suggestions.

Mr. ANDERSON: Yes.

Mr. KNOWLES: I would like to ask a question concerning the difference you found between Mr. Clarke's report and Mr. Bryce's report. Which way do you feel we should go in making these expenditures?

Mr. ANDERSON: I have said I do not believe in actuarial adjustment of windfall benefits. I do not think you should be translating benefits into other equivalent values when the benefits are not paid for. I do not think Canada should be engaged in the process of paying the reduced benefits at the earlier ages. I have said so. All I say is that if Canada does engage in this process and if we are going to let the age reduced benefits go into effect in the way proposed in the bill, this is not a revenue problem; this is merely an accounting problem. The question is merely one of anticipating and paying earlier what we would otherwise pay later; you are discounting a future obligation. If you are merely prepaying a future obligation, you set it up as an asset in the old age security fund or some place, because you do not need to get more taxes in to look after it.

I already have suggested to the government that in order to make this process clear it would make sense to authorize the government annuities branch to handle the transactions. In other words, all you need to do is say to the government annuities branch "we want people to be able to get actuarially reduced old age security". So, you go ahead and supply it to them. You use your own actuarial reduction formula.

Let us suppose the annuities branch says $75 a month is equivalent to $49; it does it and takes the other $2 from the old age security fund to bring it up to the $51 you say a man should have. They say, we are undertaking a payment of $51 now, but will draw back $75 from the old age security fund after he is aged 70. Now, the old age security fund in this transaction is not affected by the deduction; it is being handled in another place. The government annuities does not have to worry about the financing; they are setting off against a liability of about $1¼ billion. Surely up to that point they would have assets representing future claims on the old age security fund, or an equal amount, without worrying about how they will do their financing directly. After paying $1¼ billion worth of accelerated benefits out, we can look for another method to handle it. I think the insurance companies would be content to do this for the government; they are doing it with their own pension plans. We do it every day in respect of people who are retiring; they say we want to integrate, and we say we will pay you so much for five years and in return you will let us have this lower amount per month for the rest of your life.

Mr. KNOWLES: Thank you. I have further questions, but I will pass for now.

Mr. ANDERSON: Thank you for letting me answer in that way.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I presume the committee wishes to keep on sitting. I have four persons on my list now.

Mr. ANDERSON: Is that an admonition to me to try to be as brief as possible?

The CHAIRMAN (*Hon. Mrs. Fergusson*): No, but I thought that each person may not ask as many questions.

Mr. MUNRO: Mr. Anderson, I also am particularly interested in your paper and in your statement with regard to escalation and oversimplification attached to earnings rather than the cost of living price index. If you did adopt that form of approach, what would you say in respect of this being a contributing factor to inflation?

Mr. ANDERSON: This problem does not worry me at all. I cannot for the life of me feel that any kind of increases we are going to grant to people who have retired, no matter how we calculate or distribute them among the people, are going to be of such moment that they will have any important inflationary impact. The only thing which does worry me is, as I said earlier, that I do not like increases that are related to price; they are not the kind of increases which should be given and they do not do the job right. However, I say that once anyone says he is going to increase anything according to a price index and adjust it automatically you may run into a grave psychological problem. As soon as people say something is being adjusted by a price index, people are going to say this means there is going to be an inflation. Of course we did this in wartime; we adjusted our wages according to a price index, but then we had price control, so there was no danger of the psychological problem operating then. I think it is fair to say that among the countries that use price indexing one cannot form a very good opinion of the way they have been able to control prices in their own countries. Price indexing often is forced on a country. It is not just pensions. If you go to Israel you find that they issue government bonds with price indexing, and not just the coupons, but also the principal amounts.

Of course, the Israel life insurance companies issue policies which are price indexed, and they invest the money in price indexed government bonds and in price indexed corporate bonds, and nobody is concerned how the prices behave, because everybody is indexed out of inflation. That is what bothers me. Frankly I think that the use of an indexing device may have psychological effects which do not relate to the dollar effect.

I would like to underline a point I made earlier that it seems to me to be a more sensible attitude for a country to take to say: "We want to minimize the price index and maximize the productivity index". If I were becoming a retired person I think I would be more content with a method which made sure that I got the productivity gains that the rest of the people are getting. I suppose that if we are not able to maintain prices, this will be reflected in one form or another by necessary legislative change.

I admit the point however that if the basis of indexing is on earnings, then most of this argument disappears, because earnings, after all, contain the two components of rising productivity and rising prices, or alternatively, rising standards of living and rising prices. But as long as they contain the two components and you have wage indexing, you could say to the individual that if we can hold the prices steady, our wages will go up at the rate of productivity, and that the pensions will go up accordingly. Therefore, you have now happily said to the individual that we hope to be able to keep prices constant, and we hope to be able to have a standard of living in which, when it rises, you will be able to share in the process. But if you only look at the prices, you are saying: "It is true that we have to see that you do not starve if prices go up, but you are not going to share in any way in this progressive process". I think that psychologically price indexing is bad.

If you look at Sweden and Belgium which have price indexing both before and after retirement, you will see they adjust the pension entitlement accordingly. These are countries which have had, so far as I am aware, a considerably greater degree of price control in one form or another than we have had in Canada or are likely to have in the foreseeable future. Under conditions either through direct planning or through government control, if you have a fairly firm hand in consumer prices, then the psychological problem disappears. That is, the individual will say: "Well, it is the firm hand which determines what the prices are, and the adjustment is merely reflecting officialwise what the firm hand has already determined".

Mr. MUNRO: I take it your point is that if it is based on an earnings test it will contain the two components which are reflected in earnings automatically.

Mr. ANDERSON: Yes.

Mr. MUNRO: It will reflect also rising standards of living and increased productivity.

Mr. ANDERSON: Yes.

Mr. MUNRO: And the whole dollar volume would be bigger.

Mr. ANDERSON: Let me give you an example to make my point clear. In our company we face the problem from time to time of: What do you do about existing pensions when pensions get out of date? The government has had to face it in the case of the civil service. When we looked at the problem we said that we did not think we could increase pensions in payment at the rate of change of wages. This would have meant an increase in the order of from 4 to 4½ per cent per annum. When we looked at prices we said to ourselves that something of around this magnitude may be an appropriate rate of increase, but we are not going to express it in the form of a price index.

So what we did was to take the square root of the earnings index, to provide roughly one half of it. That is the way we made our adjustment. We in effect said that if earnings have moved up 44 per cent since you retired, then we will move your pension up 20 per cent.

Hon. Mr. MCCUTCHEON: And guarantee it too.

Mr. ANDERSON: Yes. Some question arose as to whether we should provide only the smaller "half", and possibly, we are going to do the same thing again shortly the other way around and pay for the bigger "half". If earnings move up 44 per cent we will say: "You will have to look after the 20 per cent and we will pay the 24 per cent". We are doing this deliberately because we do not want to make our adjustments on the basis of the price index, because we do not believe in it.

We felt in our study that in a country where the policy was one of holding prices stable, and of having increased productivity, we would see these conditions reflected in the earnings, so let us base our adjustment on the earnings. Actually in our case we also studied the movement of consumer spending per person, and we found that the earnings index and the consumer spending per person which embraces both the standard of living as well as the prices, moved about the same way over short and long periods. You can use either one, because each one represents a combined type of adjustment.

Mr. MUNRO: I shall ask one more question. I have several more, but I will let them go. Am I correct—not referring specifically to your brief—in saying that for the unemployed person, let us say, relating it to the Canada pension plan over continuous periods, there is less than $600 exemption a year, and that given an earnings related pension plan that such persons should not

be considered in relation to such a plan in any event, and that there should be some type of governmental program designed to be aimed at the reason why there are such low earners?

Mr. ANDERSON: I am afraid I did not make a remark in quite that form. The remark I made was to the effect that in the short term, for the people in their late 50's or early 60's, the Canada pension plan benefits are only going to those who have earnings. But in the long term the Canada pension plan benefits will be going to people who had no earnings in their late 50's and early 60's.

Mr. LLOYD: In the long term.

Mr. ANDERSON: Yes, because they had earnings earlier. It may be true that they will be getting smaller pensions, but they will still be getting pensions because of earlier credits. I made the point that since the Canada pension plan is going to do nothing for the non-covered people in their late fifties throughout the transition term, possibly it would be better to look at them as an independent problem, and that you would have to deal with it through transition and possibly should deal with it permanently by other measures.

The point I made was this: Let us concentrate on the normal problems of the man who works in the years immediately preceding retirement. There will be problems for the man who does not work during those years, but they will not be solved satisfactorily by the Canada pension plan. They will have to be solved by other means. So perhaps we need not be as much concerned with earning credits through the Canada pension plan at the earlier ages as we must be concerned with credits later on. It has nothing to do with the $600 as such.

Mr. MUNRO: No.

Mr. ANDERSON: A major part of the problem is widowhood, and to some extent the Canada pension plan may tend to deal with it.

Mr. MUNRO: Generally speaking, but not specifically relating this to the Canada pension plan, when dealing with earnings related plans, when you get to those people who you say are not going to be covered significantly in your population, let us say the unemployed, and the very low wage earners certainly in the transitional period, it may be decided that there should be other types of programs entirely conceived to deal more adequately with this type of person.

Mr. ANDERSON: One part of it of course is the process of extending benefits to earlier ages, and, as I have said, in lowering the age for old age security. This disposes of the problem in part.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Now Mr. Lloyd.

Mr. LLOYD: Mr. Anderson, in reaching your conclusions I presume that you considered the possible recommendations coming from the Carter commission on taxation.

Mr. ANDERSON: Yes, Mr. Lloyd, that is true.

Mr. LLOYD: And in our desire to avoid government sponsored pensions with the means test, we attempt to keep them as simple as we can and have regard for administrative problems, and this is bound to create some inequities, windfalls, or abuses such as you have described.

You have also referred to it as an abuse—I mean the attempt to maximize income with an eye to the tax liability, and you went on to mention something about capital cost allowances which would put an individual in a preferred position. Now, you mentioned somewhere about some method either of avoiding windfalls. But if you could not avoid windfalls, how would you recover, or

how would the government recover from these abuses which crept in? For example, if everybody will receive presumably a benefit from the Canada pension plan, then ten years from now at least at retirement age, as has been said here by others, he will receive a very substantial bonus. I think that was the term used.

Mr. ANDERSON: I do not like the word bonus.

Mr. LLOYD: Neither do I, but we used the word bonus. To receive a $1,200 per annum benefit and to have contributed only a very small amount of money to achieve that position—what do you think about a scheme of taxing back windfalls of that kind?

Mr. ANDERSON: Of course, we will be doing that anyway because the benefits will be income for tax purposes.

Mr. LLOYD: Tax them back at the existing rates?

Mr. ANDERSON: It may be the case that our method of taxing windfall pensions, as it now applies to old age security, is not severe enough. For example, I have advocated since the inception of the act that any person who is entitled to windfall benefit, whether flat or related, should not get the $500 extra exemption which is applicable at age 65. We should say, "All right, if you are getting a windfall that influences your taxable income you can lose $500 of your exemption." You might go further than that and say that windfalls are subject to double tax; this might sound severe and may not be very popular politically. But I think you are perfectly right that to the extent that windfalls become redundant—because the simplicity of the system says we have to do it that way,—there is nothing wrong in saying that in the tax system you will use a mechanism for reducing, or conceivably eliminating, the redundancy.

Mr. LLOYD: I pursue this because I want to get your opinion and reaction.

We are using the old tax machinery of government under the Canada pension plan to determine incomes and to make the calculation. Just because of the existence of income tax legislation we decide on this scheme of providing for pensions.

It is pretty certain to me after reading the *Financial Post* of January 9, at page 9, an article by Mr. Latimer, that the Carter commission will certainly be taking a look at the ability of taxpayers so to arrange their affairs in effect to gain substantial tax advantages in the provision of pension plans.

Mr. ANDERSON: You asked if I was familiar with the Carter commission and what it is doing. I indicated to you that I appeared before them. I know the chairman quite well and he has felt free to talk to me from time to time about a few of their problems.

The Carter commission is thoroughly alive to the fact that its own terms of reference are too narrow. In particular, it has not been allowed to study income transfers. That is, it has not been allowed to study transfer payments to people. I believe the Carter commission holds the view, as I do, that these constitute negative taxation.

I surmise that the Carter commission conceivably may recommend a fresh study in relation to the problems I mentioned in the first couple of pages of the paper. That is, how do tax payments and transfer payments relate to each other.

Mr. LLOYD: Will they be able to deal with the point that is mentioned here, and I quote from the article I mentioned in the *Financial Post*?

> In the case of closely-held corporations, the senior executives are usually the shareholders as well. By designing substantial past-service benefits, a very large past-service cost could be credited which is deductible under section 76. In some circumstances not only does this

past-service cost wipe out the entire undistributed income of the employer, but produces a trading loss which may be carried forward against future profits.

After the executive employee shareholders have accepted a very reduced salary for three years, the plan is terminated and the amounts held in the plan are paid out to the beneficiaries at no tax cost to the shareholders, or a very low tax cost.

Mr. ANDERSON: I am sure the Carter commission will make recommendations on such matters. One thing they are worried about, as I am, is the opposite problem; that is, under conditions of negative taxation such as we will get—the marginal negative taxation of the Canada pension plan—how do you dispose of the problem of overstatement of income? Are you going to make it an offense to overstate your income, and try to control it in that way? This is an awkward and difficult problem and you cannot escape it as long as you have earnings related windfalls. You can escape it if you put in big enough taxes so that the marginal combined effect disappears. Very briefly, through transition the marginal negative effect of the Canada pension plan is about 30 per cent. It is equivalent to a negative tax rate of 30 per cent.

If you said that everybody has to pay a minimal marginal tax rate of 30 per cent you would dispose of the problem, but I do not think most of us would like that.

Mr. LLOYD: I will end, Madam Chairman, with a word of appreciation for Mr. Anderson's contribution.

Mr. ANDERSON: Thank you.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Senator McCutcheon.

Hon. Mr. MCCUTCHEON: Madam Chairman, I will be very short.

Mr. Anderson has said he was reconciled to the Canada pension plan. I will not quote any old proverbs with respect to reconciliation, but I think I understand what he means.

I thought I heard Mr. Anderson say during his testimony—and if so I want him to repeat it—that his own view was that wage related pensions should be provided through the private sector.

Mr. ANDERSON: Yes. To the extent that it is practical to do so, I think it is very much better to dispose of the problem in the private sector. For example, the kind of approach that Ontario was proposing of imposing employer liability had the effect of invoking compulsion but having the problem solved by private action.

I referred earlier to the new Finnish plan. This is exactly what Finland is doing. They are saying to very employer in the country, "You must provide a pension of 1 per cent of the final average pay of all service up to 40 years subject to an integrating device with the flat benefit." Finland is not operating any of its second deck; its employers are doing this. One of the problems, of course, is that when you want the action in the private sector you cannot get it very fast.

The Ontario committee faced this problem. They recognized that the action in the private secor more or less involved individual equity, and therefore slow maturity and so on.

Mr. KNOWLES: We have 10 provinces.

Mr. ANDERSON: It is not that point. The point involved here is that if you reach the conclusion that you have to find some relatively large benefits in the near future, I think you are driven to using public action because you cannot accomplish that result in the private sector owing to the linking up between input and output that must exist in the private sector.

Let us look at it the other way around. If you forced employers and said to them in Canada, "You fellows will have to form your own pool"—

Hon. Mr. McCUTCHEON: You could not force them to give backservice.

Mr. ANDERSON: Let us put it this way. If you forced the employers of Canada to form their own pool, then they could operate it on a semi pay as you go basis.

The point here is that the individual employer is mortal, but unless Mr. Knowles disposes otherwise, the private business system is not mortal; it is immortal. Even if he does dispose otherwise, he will still have a lot of crown corporations that are doing the same thing.

Mr. KNOWLES: Are you thinking of me as a socialist or as a minister?

Mr. ANDERSON: I am not sure, sir; you can take it whichever way you like.

I mentioned the point of the so called consortium of private employers. It is satisfactory for a consortium of private employers that is well based enough to ensure its perpetuity to have a pay as you go system at the private level, but no single employer can do it.

Hon. Mr. CROLL: Do you remember when I asked you the question, I said that this is something that has not been done and I said here was the fixed old age security plus the government pension, the combination? You said to me that it has been done, that Britain is doing it, Finland is doing it, and Sweden is doing it? I think as I understand the answer to Senator McCutcheon you now say that Britain is doing it, Finland is doing it and Sweden is doing it through private enterprise, not as government.

Mr. ANDERSON: I did not quite say this.

Hon. Mr. CROLL: You did not? Then I misunderstood you; I apologize.

Mr. ANDERSON: Let me cover the schemes, because these are the three major second deck schemes.

The United Kingdom is doing it by the process of giving wage related benefits in relation to wage related contributions that are in fact at the present time a very bad bargain. That is to say, the benefits in relation to contributions are less than you could get if you went out and bought them from anybody.

Hon. Mr. McCUTCHEON: Private industry opt out of that?

Mr. ANDERSON: They have given the employers the opportunity to contract out and run their own show, except they say that if an employer contracts out he must provide maximum benefits. In other words, they do not want to go through the agony of looking at partial benefits and so on. The British system, by their own admission, may not be viable in its present form if the second deck is substantially expanded. We will know in a year or so what is going to happen. I assume the Labour party, from what they have said, have some much bigger ideas on how the second deck should be handled. They are proposing to integrate backwards by taking the second deck money and investing it in the shares of private industry. But, the point is, to a large extent, that the United Kingdom method may be regarded as being operated outside the government, if you are willing to take the view that, once employers can contract out, the government, in effect, is handling the problem for the ones that do not. Now, in Sweden the action is done by the state.

But, of course, the Swedish do things differently anyway. The way the second deck is run, they have three funds for the second deck, one for the public employees, one for the employees of large employers and one for the employees of small employers, and each one of these funds is semi-funded and develops a substantial investment fund. The investment process is being operated in part by the employers themselves—that is, the fund for the big employers has employer representatives on the investment board—because, in effect, they are

forcing this consortium on the employers. Quite a bit of the money, which they found embarrassing in Sweden, has been shipped to west Germany for investment.

In Finland, the government has said to the employers, in the same way that the province of Ontario proposed, "You must provide pensions according to this formula, go ahead and get your funds going and get on with the job."

Hon. Mr. CROLL: Am I not correct in saying that this has not been tried before in such a fashion?

Mr. ANDERSON: Let me put it this way. I do not know of a country that has tried it with as rapid maturity as the way we are proposing.

Hon. Mr. CROLL: I am not bragging but we all realize we are going to make mistakes and someone has to be tolerant with us for awhile. We are breaking new ground. I admit that you are tolerant.

Mr. ANDERSON: Well, what we are trying in Canada never has been tried in this particular combination but, nevertheless, when you examine the Canada pension plan bill you can take these different components and if you go over about 14 different countries you will discover all of the components in other plans. Now, the question that worries me is, can you take a dozen components out of a dozen different plans and lift them out of context and put them together in your plan and hope it works. I must confess that I am not like this. This is the kind of way the Japanese might do it because they are great imitators. But, I make the point in my paper that I do not think we should imitate, but innovate. I would hope that we are creative enough to go farther than copying a number of different other things and then putting them together in one package.

Hon. Mr. CROLL: Well, you are saying to me that we are innovating.

Mr. ANDERSON: No. A number of countries have done what we are doing, pulling components from other places and concocting their own plan.

Hon. Mr. MCCUTCHEON: Mr. Anderson is repeating a conclusion that Senator Croll, for obvious reasons, did not want to read in full.

Mr. MUNRO: Madam Chairman, if I may interject, I was going to make a suggestion, through you, to Mr. Anderson, if the committee is agreeable. I understand there are other members who wish to ask Mr. Anderson questions. As we know, Mr. Meyers is coming at 2.30 this afternoon; Mr. Myers may be finished at perhaps 3.30 or 4 o'clock, depending on how many questions are put, and I was wondering whether Mr. Anderson would be prepared to come back this afternoon in order that any outstanding questions could be put to him.

Mr. ANDERSON: May I speak to what you are suggesting. I am grateful to Mr. Munro for making this suggestion. But, it so happens I am a close friend of Mr. Myers, and I was going to come back in any event. I also propose to come tomorrow morning because the Canadian welfare council is on. I have read their brief and I know the people who prepared it. Since I will be at both your sessions, unless I am upstairs with Mr. Guitard looking over the transcript, I would be very happy to leave myself in the position where you could recall me either this afternoon at your convenience or tomorrow morning at your convenience.

Mr. CHATTERTON: If it is not inconvenient to Mr. Myers may I suggest that for the sake of continuity we continue with Mr. Anderson at 2.30.

Mr. KNOWLES: I do not believe Mr. Myers has a brief.

The CHAIRMAN (*Hon. Mrs. Fergusson*): No, he has not.

Mr. ANDERSON: From what Mr. Myers told me, he is in the position where he is up here until Sunday because he has been attending the international Fisheries Commissions Pensions Society, I think it is. I think he would accommodate himself in whatever way you wish. But, since Mr. Myers is a visitor from

abroad we should extend him every courtesy and allow him to come as scheduled. You do not mind me offering advice to the committee, do you, Madam Chairman?

The CHAIRMAN (*Hon. Mrs. Fergusson*): No. I am sure it is the wish of the committee that you come back. Am I right in this assumption?

Some hon. MEMBERS: Yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): We will adjourn until 2.30 this afternoon.

AFTERNOON SITTING

THURSDAY, January 14, 1965.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, we have a quorum.

I think Mr. Chatterton wants to get some information. I suggest he lets us know at present what it is.

Mr. CHATTERTON: The sooner we can ask for it, the more time the staff will have to get it. I would like information suggested by the delegates yesterday with regard to the benefits of the Canada pension plan by the years 1971, 1981 and 1986, in the form of chart 2 in the brief presented by the Canadian Life Insurance Officers Association. If possible, Mr. Chairman, I would like to have the no benefit group broken down by whatever major categories there are that make up that group, if it is possible to get the latter information within the time available.

The CHAIRMAN (*Mr. Cameron*): Mr. Osborne assures me that that information can and will be obtained.

Mr. J. E. E. Osborne (Director, Research and Statistics Division, Department of National Health and Welfare): Excuse me Mr. Chairman, I assured you we will do our best to get the information.

Mr. KNOWLES: Mr. Chairman, I had a desire for something similar, but it is slightly different. May I put in my request at the same time? I would like to have information both for the years given by the Life Insurance Officers Association and the years asked for by Mr. Chatterton. I would also like this information to show percentages in relation to the persons who by age would have been eligible. I am sure Mr. Osborne gets my point, that a supplementary table excludes from the non-covered all those people who were too old to come under it anyway. I am not asking for a change in Mr. Chatterton's request but I am asking for a supplementary set of information.

Mr. MUNRO: Could I expand on Mr. Knowles's request, that that table be broken down three ways, or all ways, not only down to people now in retirement who will still be reflected in the table 10 years from now. I should like it to include widows now under 55 and the unemployed, as well as anybody else who could conceivably be included in there so that we could determine the accuracy of the table.

Mr. KNOWLES: We have not given the department anything to do for a while.

Hon. Mr. CROLL: If the department is looking for something to do, there is something I would like as well. Of the people of 70 and over, how many have pensions and what is the extent of the pensions? I understand that some of this information which was not available before is now available. I would like to know of those people in the labour force how many have pensions and what is the amount of their pensions?

Mr. OSBORNE: May I ask a question on that last request? By people in the labour force do you mean those who are contributing to pension plans?

Hon. Mr. CROLL: From among the number of people in the labour force I want to know how many are and how many are not in pension plans and what they are getting. Once you know how many are in pension plans you know how many are out.

Mr. OSBORNE: You want to know how many people are in the labour force who are presumably working and earning a living and are, at the same time, living on a pension?

Hon. Mr. CROLL: I am trying to relate the percentages. I want to know the percentage of people of 70 and over, and the percentage of people who are not in that category. Am I clear? Go on and ask me questions and I will see if I can make it clearer for you.

Mr. OSBORNE: I am not clear, Mr. Chairman, because, as I understand the term "labour force", these are people who are, for the most part, employed and earning a living. They are therefore not on pension but are contributing to a pension.

Hon. Mr. CROLL: That is the figure I want, the number of people contributing to a pension, those for whom a pension will be provided.

Mr. MONTEITH: There are one or two things which the delegation indicated we might get the officials to develop for us. I wonder if I might reserve the opportunity to bring these matters to the attention of the committee afer I have read the proceedings. I would like to delay my remarks.

Mr. CHATTERTON: I think we should ask our officers to check on the accuracy of chart 1. We want some confirmation from our staff as to the accuracy of chart 1 in the Life Insurance Officers brief.

Mr. FRANCIS: Mr. Chairman, I wonder if we could have a very short summary of Mr. Anderson's remarks of this morning. I know Mr. Osborne was given a lot of work but I would like to know about the three countries—Sweden, Finland and the United Kingdom—which have the two types of pensions. I would like to have some sort of document giving us the basic story of employer-employee contributions and the flat rate pensions and the supplementary pensions in these three countries.

Mr. OSBORNE: Mr. Chairman, I would like to refer Mr. Francis to the proceedings of the Senate of Canada special committee on aging, number 24, Thursday, December 10, at which Dr. Willard was the witness. In his testimony there is included a description of social security programs in several foreign countries including two of the three that were mentioned. It appears on page 1626 for Great Britain and page 1628 for Sweden. Finland is not included. We will do our best to get material on the Finnish program.

The CHAIRMAN (*Mr. Cameron*): Ladies and gentlemen, we have the great privilege and great honour this afternoon to have as our witness Mr. R. J. Myers, who is the chief actuary of the social security administration of the United States department of health, education and welfare. He is the vice-chairman of the permanent committee of actuaries and statisticians of the International Social Security Association. He has been a consultant to various congressional committees. He is an international expert in the whole field of social security. He comes here as our guest and is accompanied by his charming and beautiful wife who is seated to my right. I know we welcome them both sincerely to Canada.

Mr. Myers has prepared a short memorandum of some of the things he intends to talk about. Unfortunately, there are not enough copies for each member, but probably in due course this will be incorporated as part of the

minutes of the proceedings, and you will all have the opportunity of reading it there. I think Mr. Myers intends to read a great deal of his brief this afternoon. I will now ask Mr. Myers to speak.

Mr. ROBERT J. MYERS (*Chief Actuary, Social Security Administration of the United States of America, Washington, D.C.*): Thank you, Mr. Chairman.

Mr. Chairman, members of the committee, it is indeed a pleasure and an honor for me to appear before you today in connection with this most important subject. I shall be glad to give you any information that I can about social security programs and their financing generally, as well as any specific factual matters which relate to the old age, survivors, and disability insurance program in the United States.

First, let me state that my official position is chief actuary of the Social Security Administration, U.S. Department of Health, Education, and Welfare, and that I am a Fellow of the Society of Actuaries. I have held the position of chief actuary since 1947, and before that time, I held various actuarial positions in the social security administration and its predecessor organizations including the one that made the underlying studies for our program.

I should like to submit for the record a biographical sketch giving some of my other past professional background, as follows:

January 1965

BRIEF PROFESSIONAL BIOGRAPHICAL DATA ON ROBERT J. MYERS

Education

B.S. in Engineering Physics, Lehigh University, 1933. M.S. in Actuarial Mathematics, University of Iowa, 1934. LL.D., Muhlenberg College, 1964.

Professional Experience

Various actuarial positions with U.S. Social Security Administration since 1934: Chief Actuary since 1947. Actuarial consultant to various Congressional Committees and to Federal Judiciary. Missions of technical assistance in connection with Social Security programs of Bermuda, Colombia, Cyprus, Greece, Iran, Israel, Japan, Liberia, Nicaragua, Panama, Peru, and West Germany. Missions to study Social Security systems of Ceylon, England, Greece, Lebanon, New Zealand, Philippines, Soviet Union, Sweden, Turkey, and United Arab Republic.

Professional Relations with International Organizations

Committee of Social Security Experts, International Labor Office; Vice-Chairman, Committee of Social Security Actuaries, International Social Security Association; Pension Review Group, United Nations (1958-60); Committee of Actuaries, United Nations Joint Staff Pension Fund; President, International Fisheries Commissions Pension Society.

Professional Societies

Fellow, Society of Actuaries; Fellow, Casualty Actuarial Society; Fellow, American Statistical Association; Fellow, American Association for the Advancement of Science; Fellow, Royal Statistical Society (England); Corresponding Member, Spanish Institute of Actuaries; Associate, Institute of Actuaries (England); Member, International Union for Scientific Study of Population; Member of Council, Permanent Committee for International Congresses of Actuaries; President, Inter-American Association of Social Security Actuaries; Population Association of America.

Professional Awards

Distinguished Service Award, Department of Health, Education, and Welfare; Career Service Award, National Civil Service League.

Publication of Book

"Social Insurance and Allied Government Programs", Homewood, Ill.: Richard D. Irwin, Inc., 1965.

Military Service

Captain, Army of the United States; 1942-45; final assignment in Medical Statistics Division, Office of Surgeon General.

I should like to emphasize, however, that I am appearing today solely in a personal and professional capacity as an actuary and as a student of social security techniques and principles.

And accordingly I am not officially representing either the United States Government or my organization, the Social Security Administration.

As you will recognize, it would not be fitting for me to make any direct comments of opinion concerning the Canada pension plan that is now under consideration by your committee.

Although I believe that I can be of the most assistance to your committee by discussing specific questions that the members might care to ask, perhaps the best procedure would be for me to discuss briefly two very important subjects that I think are of interest to the committee—namely, (1) the general financing principles of social insurance as against those of private insurance, and (2) the question of contracting-out of social insurance systems.

And when I use the term "contracting out" I realize that in some instances this term is used differently as referring to the contracting out of a national pension system by a parallel pension system of a state or province. However, I will not get into that subject at this point.

As regards financing aspects, the basic difference between social insurance and private insurance is that the former—because of what may be assumed to be its perpetual nature, based on the continued existence of the government and the compulsory coverage features of the program—does not require the full actuarial reserves that are necessary under an actuarially-sound private insurance or pension program. This is not to say, however, that large reserves under social insurance are necessarily undesirable, but rather only that they are not required for financial soundness.

Under some circumstances in some countries, the desirability of capital formation and economic development might dictate that large reserves developing under a social insurance program could have an important and desirable economic effect if invested properly. When this practice is followed, it is paramount that the interests of the group covered by the social insurance system should be safeguarded in that the investments so made are sound and productive.

On the other hand, under certain circumstances, it may be economically undesirable to build up large social insurance funds, since the money drawn from consumer-purchasing channels might result in a so-called drag on the economy. The matter then of how much advance funding and accumulation of assets in a social insurance system should be done is not merely an actuarial problem, but also one of an economic, and even political, nature.

Now, let me turn to the financing basis underlying the United States old-age, survivors, and disability insurance system, which I will hereafter refer to as

O.A.S.D.I. There are many misconceptions about this matter. It is widely believed that at the inception of the program, the financing basis was a full-reserve one, similar to private insurance, and that subsequently it has changed to a pay-as-you-go basis and will so continue. Actually, this is not the case, because the original program was on only a partial-funding basis, and subsequent modifications in the law have moved it further toward the pay as you go basis, but by no means entirely.

I state this, however, with full recognition that in the past decade, O.A.S.D.I. has operated on more or less of a pay as you go basis, with income closely approximating outgo. Under present law, however, a substantial fund would be built up starting next year and particularly after 1967, when the scheduled increases in the contribution rates would occur. Under this basis, about 15 per cent of the cost of the program would be met by interest earnings, with the remainder, of course, coming from contributions of workers and employers. As you know, no direct government contribution to the system is provided.

At the moment, it appears quite likely, however, that the financing basis contemplated in present law will be modified. There has recently been considerable concern on the part of many economic planners that the contemplated growth of the O.A.S.D.I. trust funds, resulting from the scheduled contribution rate increases, which will produce significant excesses of contribution income over benefit outgo, is economically undesirable at this time because of withdrawing consumer-purchasing power. For example, during consideration of legislation last year, the secretary of health, education, and welfare stated to the Senate finance committee that, under a proposed revised tax schedule "the contribution rates would increase more slowly and gradually than under present law, so that excessive accumulations of funds in the next several years, with possible depressing effects on the economy, would be avoided".

Furthermore, in 1963-64, an advisory council on Social security financing established by law studied the O.A.S.D.I. program, and it has just issued its final report. This council recommended that the presently scheduled contribution rates should be adjusted "to avoid the rapid increase in trust fund assets that will otherwise begin with the rate increases scheduled for 1966 and 1968". The council then went on to express its belief that the long-range cost of the program should be recognized by a schedule of contribution rates in the law, but that a large fund should not be developed. Instead, the fund should be sufficient in size so that it can "meet temporary excesses of outgo over income due to relatively high benefit costs or low social security tax revenue in a particular period." The council believed that an adequate fund would be in the neighborhood of 1 year's benefit payments; this would mean that, over the long range, interest earnings would supply only about 4 to 5 per cent of benefit costs.

In my personal opinion, the position of the advisory council is sound, although I do not see any objection to somewhat greater funding than it proposes. Of course, full funding of a social insurance program would, undoubtedly, be not only undesirable, but probably impossible, considering the vast amount of funds that would be involved. As I indicated previously, the matter of the extent and degree of funding of a social insurance system can differ greatly as between different systems and different countries. Then, too, the situation is quite different for a program that is just beginning operations, with relatively little benefit outgo as compared with what will be the case in a decade or two, as contrasted with a system that has been operating for a period of time.

Now, turning to the matter of contracting-out of social insurance systems which provide pensions, I believe it is safe to say that in the United States, there is general unanimity of opinion that this is not desirable. When our

legislation was initially enacted in 1935, consideration was given to this possibility, but it was rejected.

In my opinion, contracting-out of a national pension scheme might be technically feasible if workers were employed by only one employer during the course of their working lifetimes. But, this, of course, is not the case, and it seems to me that difficult problems of equitable treatment and transfer of benefit rights will arise if contracting-out of a social insurance system is permitted. Initially, this may work reasonably well, but as the social insurance plan is revised and modified to reflect changes in the social and economic life of the country, equitable coordination provisions will become overwhelmingly complicated.

I believe that by far the best procedure is to have the social insurance system as the basic floor of protection and then to have private pension plans supplement it. This has been widely done in the United States in connection with our O.A.S.D.I. program, and it is interesting to note that the coordinating methods involved have, over the years, moved away from closely-geared coordination to more general coordination.

I well recognize that in the part of the British national insurance scheme which provides earnings-related benefits, contracting-out is permitted and seems to be functioning well. In fact, the number of persons contracted out represents almost 25 per cent of the total who could possibly be contracted out. But, a large proportion of these are government employees for whom coordination provisions by law are readily possible. In the long range, I think it is quite possible that this contracting-out basis could produce great difficulties—as, for example, if the social insurance system were changed so as to be on a dynamic basis, with automatic adjustment of benefits to changes in the cost of living or in the earnings level. Under such circumstances, it might be difficult, or even impossible, for private plans to provide contracting-out benefits of comparable amounts, as they are required to do.

I would now be pleased to answer any questions that the committee may have about my presentation, or about any other matters that it might choose to inquire about.

The CHAIRMAN (*Mr. Cameron*): Mr. Prittie is first.

Mr. PRITTIE: Mr. Chairman, I have one question to ask Mr. Myers. Do the private insurance plans in the United States have some assurance, for a number of years ahead, in respect of what the level of deductions and payments for the government plan will be? This has been raised here as a personal objection on the part of some people who administer these plans. They would want to know that the percentage of payroll deduction would be fixed for a number of years. Is there some assurance for a number of years ahead in the United States?

Mr. MYERS: Really the answer to your question is yes and no. Since our system has been established we always have had the principle of having a complete long range schedule of contribution rates in the law. As you know, no one congress or parliament can bind the hands of the next one, at least in this respect since these are taxes—our contributions are legally taxes. Although there is this schedule in the law, from time to time it has been changed. You can say that planning could be made on the basis of this schedule for all years into perpetuity, but you cannot absolutely count on this as you can with an insurance company contract, because the next congress can change the schedule, for example, even lower the rates or else raise them when more benefits are provided.

However, I think our private pension plans have had some indication from these schedules as to how the future is likely to proceed with regard to contribution rates under the system.

Mr. PRITTIE: In your opinion does the practice of changing rates by subsequent congresses or parliaments present any real problem for the private plans in the working out of the changes they may have to make?

Mr. MYERS: I do not think it has presented any real problem. I think the areas in which the private pension plans have had more problems perhaps are in respect of earnings that are above the maximum that is taxed and credited—what we call earnings above the earnings base. Many private plans have been coordinated with the social security system by giving somewhat larger benefits on the higher earnings. I think what they have reconciled themselves to doing is changing this breaking point in their own formula whenever the social security base is changed. These changes are apt to occur in the future whenever wage levels move upward.

Mr. AIKEN: I understand the United States social security covers people who are employed at more than $200 a year and self-employed persons at $400 a year or higher. Is that a correct assumption?

Mr. MYERS: That is not quite correct. Let me give you the specific provisions. There are a number of different categories. For employees in industry and commerce, and several other categories of employment, there is no dollar amount whatsoever; in other words, a person who goes to work for a store or a steel mill and just works there one day is covered. Now, for employees who are in domestic service, the requirement is $50 of cash wages in what we call a calendar quarter, a three month period.

That would in effect be equivalent to $200 a year. The same requirement of $50 per calendar quarter applies to employees of what we call non-profit organizations such as in the charitable or religious field, like churches, hospitals, or private universities. Again, that would be the $200 per year basis. For agricultural labour or agricultural workers, the requirement again is different. It is $150 during a calendar year, or a minimum of 20 or more days of employment when the wages are paid on a time basis. Actually the requirement for most agricultural workers is $150 a year, and this excludes crop pickers or people who work for only a day or two for one farmer and who do not earn enough to make $150.

As to self-employed persons of all types, such as store owners, farmers, and even certain people who are considered to be self-employed, although they are not, such as ministers, the requirement is that they must have $400 of net earnings from their self-employment activities.

Mr. AIKEN: Could you tell us approximately how many, or what percentage of the working force is covered by this plan with the limitations which you have mentioned; that is, the minimum exemptions?

Mr. MYERS: On a typical day throughout the year about 87 per cent of the number of persons then working are covered by this system. This 87 per cent includes about one per cent who are railroad workers, who have a separate system; but it is in many ways closely co-ordinated with the O.A.S.D.I. system. You might be interested in the 13 per cent who are not covered.

Mr. AIKEN: Yes.

Mr. MYERS: About three percent of them could be covered by this system if they so elected to be covered, or if their employers elected that they be covered. This consists mostly of the employees of state and local governments, which must elect to have their employees covered by this system; and in certain cases the employees also must elect to be covered. This three percent also includes employees of non-profit institutions that have not elected to be covered, although most of them have. Ministers too have an optional right to be covered. That brings us up to about 90 per cent covered by the system either compulsorily or by election, including those who do not elect to be

covered. Of the other ten per cent, about five per cent are either federal employees, most of whom are not covered by the system, or employees of state and local governments that have their own retirement systems. In fact the only federal employees covered under O.A.S.O.I. are those hired on temporary appointments. Regular civil servants have a separate civil service retirement plan. This five percent also includes state and local government employees who have their own system and are not in the O.A.S.D.I. system.

The remaining working force of the country not covered by the system includes primarily people of low income such as self-employed farmers who have very low cash income, subsistence farmers, migrant farm labourers, domestic servants who may work only a day or so for any particular employer, unpaid family labour, and in addition self-employed physicians who are the only profession not covered on a compulsory basis as self-employed.

Mr. AIKEN: I understand there is no universal retirement pension such as we have in our old age security for everyone. Is that correct?

Mr. MYERS: Yes, that is correct. We have an old age assistance system in all the states, but we have no national system comparable to your old age security program.

Mr. AIKEN: So these people who are not in the working force as you have just described it have no retirement coverage.

Mr. MYERS: They have none coming from the government.

Mr. AIKEN: Could you tell me what percentage of the heads of families is not covered in any way through your O.A.S.D.I., or who could not be covered?

Mr. MYERS: I think if you take the heads of families the percentage not covered would be a bit smaller than the figure I gave you, because among the five per cent who have no coverage at all would be many people who were not primarily in the labour market. In the long run we expect that probably 96 to 98 per cent of all persons aged 65 and over will be eligible for benefits because at some time or other during their or their husband's working careers they will have obtained enough covered employment to qualify. For example, even doctors, although they are excluded as self-employed persons, might be employed during a part of their working career and have established sufficient covered employment to qualify.

Mr. AIKEN: Has there been any change in the minimums established since the system was started?

Mr. MYERS: The minimum requirements for coverage, you mean?

Mr. AIKEN: What I refer to is your comparison. We have established a minimum of $600, but I notice that yours is quite a lot lower. I wonder if there is any experience in changing this minimum within the United States system?

Mr. MYERS: No, there have been no changes. But there is one thing I forgot to mention in regard to coverage. Eligibility for benefits depends on quarters of coverage which in general are $50 of wages paid in the calendar quarter. A person can contribute on less than $50, and he might do this without getting credit. But in order to get credit for coverage, he must have $50. That same $50 requirement has been continued unchanged in the law ever since it was established in 1940. Likewise the coverage required for self-employed persons, $400 of net earnings in a year, has not changed since 1950. So the simple answer to your question is that there has been no change in these requirements.

Mr. AIKEN: What has been your experience in seeking out and collecting from marginal persons, who, let us say, live on the land, or who live very close to the minimums which have been established? First of all, are they anxious to come forward to be covered, or do you have to make an effort in seeking them out?

Mr. MYERS: This is a difficult question to which to give a yes or no answer. Frankly, we do have difficulties in this particular area. I think our coverage

of industrial and commercial workers has been virtually 100 per cent, as one might expect, and likewise in the coverage we have had of state and local government employees and non-profit institutions, there has been no problem.

But in the area of agricultural workers and domestic workers and of low-income self-employed persons there have been considerable problems of enforcement, although gradually over time we are getting more and more enforcement. Studies have shown that probably we are missing about 25 per cent of coverage among the agricultural and self-employment areas and probably also in the domestic service area. Many housewives do not want to bother to report for a maid who comes in occasionally, but who earns sufficient to meet the $50 quarterly requirement. However, for domestic servants working full time and living in, there is about as complete coverage as in the industrial or commercial field.

But we have made considerable efforts particularly in the agricultural self-employment area. In part it is a matter of education, for such people with low incomes do not realize that they should be covered, and also that it is to their very great advantage to be covered. These people generally do not have to pay income tax because there is a $600 per person exemption. A married farmer would have $1,200 exemption if he had no children. Often he does not realize that if he has $400 of net income he is not only eligible for social security but is also compulsorily covered.

Mr. AIKEN: Thank you.

Mr. CANTELON: Part of the answer I want has already been given in your answer to Mr. Aiken.

Just to bring this into focus, I hope you will not mind if I ask you to repeat some of it.

Schottland wrote a book called "The Social Security Program in the U.S." published in 1963, and in it he says this:

> Because the Congress did not want to require low income farmers to keep financial records which they ordinarily did not maintain, an alternative method for determining net earnings was established.

Will you tell us what this alternative method was?

Mr. MYERS: This method has undergone certain changes over the years. As was stated, particularly low income farmers, who perhaps really do not know what their net income is and who do not need to know what it is for income tax purposes because they do not have income tax liability, can simply take two thirds of their gross cash income and use that as a net income. In a sense that does permit some low income farmers to have optional coverage.

The way the provision specifically works is that a farmer can use this method if his gross income is $1,800 or less, or if his net income is $1,200 or less regardless of his gross income; then he can use two thirds of his gross income. For example, if a farmer has a gross income of $1,500 and a net income of under $1,200, he can take two thirds of that and use $1,000 as his reportable income for social security purposes despite what his net might be. He might have no net income or he might not know what his net income is.

In fact, even a farmer who is generally prosperous can sometimes use this method. Let us say he had a crop disaster in one year and, as a result, although he may have had a gross income of $3,000, he had no net income. He could use this method to report $1,200 of income and thus to some extent maintain his social security record.

Mr. CANTELON: That is what I was wondering about. He could maintain his social security record no matter what happened.

I understand, too, that the armed forces were not covered by the scheme until 1957 and then they were taken in. I might point out that our armed forces

are not covered by our scheme. I wonder if you could give us any comments on just why the armed forces were then added to the scheme.

Mr. MYERS: Before 1957 there was a partial type of coverage for the armed forces on a gratuitous basis. People in military service in certain circumstances, such as honourable discharge or death in service, were given an arbitrary amount of wage credits of $160 a month as long as this was not used for military pension, and in some circumstances even if it was.

In 1953 the president appointed a committee to study the matter of co-ordinating the social security system with some 15 to 20 retirement systems for federal employees, both civilian and military.

The committee looked at all these systems and made recommendations for covering all federal employees under social security, with other systems being modified or co-ordinated accordingly.

In regard to the military, it was recommended that military personnel should be brought under the social security system, just like all other people in the country, and that the military retirement system should be left unchanged. In regard to civilian employees, the recommendation was generally that social security coverage should be extended but that the retirement systems should be adjusted downwards. The total benefit protection would be greater, but the amount coming from the separate pension plan would be reduced. The vast majority of people in military service leave after a few years and get no rights under the military system, and under this suggested plan—which was actually adopted—these people would at least have social security credits.

Mr. CANTELON: May I interrupt? Is this due primarily to the fact that you operate a draft system as opposed to a professional army?

Mr. MYERS: I do not know why the military were not included in your plan, but in ours this was a large factor, and particularly in connection with the enlisted ranks because they would go in for two, three or four year terms and never obtain the 20 years of service required for a pension.

In regard to the relatively few who stay through to 20 years and get a pension, it was still felt that this duplication of benefits was not as bad as it might at first seem. Those who serve for the 20 years to get a military pension very frequently retire from military service at as low an age as 40, or possibly not much higher than 50. They then get some other type of job and qualify for social security benefits anyhow. So it was felt that it is more advantageous for them to have a complete social security record for their entire lifetime than to get a social security benefit based on a short employment record, and thus at a relatively high level.

Mr. CANTELON: Thank you.

I am also very much interested in the fact that under our plan there are what I think are disadvantages to students. Are there any arrangements for students in your plan whereby their years of low summer earnings are excluded as contributory years as far as determination of the average monthly wage is concerned?

Mr. MYERS: Yes. The students who have summer jobs or part time jobs are covered by our social security program regardless of their age. We have no age limits either at the bottom of the scale or at the top of the scale, so the employer never has to ask the employee how old he is, or at least the employee does not have to prove it for social security purposes.

What happens to a student who works at low wages and then later on has relatively high wages? He is by no means penalized by these low earnings because these do not count for the benefit computation unless they happen to be relatively high years, in which case he can substitute them for other, lower years. At the same time, these wages help him to attain eligibility, so he is perhaps building up benefit rights.

For example, let us take a student who works during his 'teens and is acquiring coverage although he is obtaining a relatively low wage. If he graduates from college at, say, age 21 he might work for a couple of years at a good wage, and then perhaps he becomes disabled. For disability we have a requirement of five years of coverage in the last ten years. The time he worked as a student would help him to meet that five years requirement that otherwise he might not have met. The amount of his benefit, however, would be based on his average wage since he was 21, and he can drop out those low years while he was in school.

On the other hand, these wages might be used in a case such as this. A student graduated from college at, say, 21, and then went abroad and perhaps pursued his education in Europe for six years; and then he came back and started working again. These years of zero earnings from age 21 onwards could be replaced by some of the years with earnings he had before he was 21; they may not be very high, but they would be better than nothing.

Mr. CHATTERTON: These apply to students only?

Mr. MYERS: No, this applies to anyone. I was just giving an example of a student.

Mr. CHATTERTON: The 22 years applies to anybody, not just to students?

Mr. MYERS: It applies to anybody.

Mr. CANTELON: Can you give us some explanation why the tax rate for self-employed persons in the United States is not twice as much as that levied on the employee?

Mr. MYERS: This has been our basis ever since self-employed persons were first covered by the 1950 amendments. There is no actuarial reason for this. It was purely a matter of political compromise you might say—or diplomatic compromise!

We had an advisory council that considered the question of extension of coverage beyond the group initially in the program. This advisory council debated back and forth the matter of what the self employed person should pay. On one hand it was argued that, from a financing standpoint, the self employed person should pay the employer and the employee rate because for a given amount of wage credits the system should get the same contribution whether in respect of an employee or a self employed person. On the other hand, the argument was made, as I remember the case, that a man who owns a small barber shop and who has one or two employees and is making about the same money as his employees is going to get the same benefits as they get, so therefore why should he not pay the same contributions? That was the argument made for paying only the employee rate. The compromise was made midway between those two arguments so that it was decided that the self employed person should pay 1½ times the employee rate.

Another argument was made, which I think was completely fallacious, although it appears in the literature. This argument was that many self employed persons derive income in part from capital, and perhaps on the average 25 per cent of self employment income comes from capital and therefore the contribution should be only on 75 per cent. The fallacious part, in my opinion, is that the self employed person is getting credit for benefits on the entire 100 per cent and therefore the contribution base should be the same.

I might mention that we have just had an advisory council complete its work and it recommended that the self-employed rate should be reduced, not absolutely, but rather the rate now in effect should stay unchanged, although the employee-employer rate may go up; so eventually the goal would be that the self-employed would pay a rate equal to 1 per cent more than the employee pays. In other words, for example, if the employee rate increased to

5 per cent, the self-employed should pay 6 per cent. The administration has not recommended anything like this in the bill presented recently to congress, where the same basis of three quarters applies.

I have personal opinions in this connection which I have expressed elsewhere. In principle, I think the self-employed should pay the full employer-employee rate because I look at systems from their financing point of view, and from that standpoint the system should get the same money from each of the two groups. In our particular situation in the United States what I would do, if I had the choice, which I do not have, would be to have an arrangement whereby the self-employed should pay the full employee-employer rate and that half of it should be considered as business expenses.

In the United States, you will recall, the employee cannot deduct his contribution for income tax purposes. Although in theory I think this is right for the United States, I do think that perhaps we will move the other way and come down from the present 1½ times the employee rate to a somewhat lower ratio. Also, I might mention that the trend toward the lower ratio perhaps will occur because as the system becomes more and more costly, as the contribution rate goes up, the impact on the self-employed, of course, becomes rather large, dollarwise, since the self-employed pay their income tax once a year. This can create quite a bit of consternation on the part of some constituents, and then they will write to their congressmen, particularly the farmers who are still a very potent group.

Mr. CANTELON: I do not like to use up too much of your time but I would like to put one more question. I understand that in the appeal procedure in the United States system there are some four steps. If I am correct in that assumption could you tell me what they are?

Mr. MYERS: This is one aspect with which I am not too familiar. But, as I understand the situation, a person can appeal first directly to the social security administration and say: "Will you please re-examine this; I think you made a mistake." But, he does not have to do that; he can make an appeal directly to the appeals council. This is one of our units which has a degree of independence from the rest of the administrative machinery. This unit will re-examine the case. In many cases it overrules the administrators. The other source I know about, to which the person, after he has exhausted that remedy, can go, is the courts. We have had numerous cases which have been taken to court and, occasionally, we even lose a case.

Mr. CANTELON: In any event, that would be three?

Mr. MYERS: That is three. I do not know of the fourth, although there may be a fourth.

The CHAIRMAN (*Mr. Cameron*): Would you proceed, Mr. Munro.

Mr. MUNRO: Mr. Chairman, I wanted to ask Mr. Myers a couple of questions in respect of an article by Raymond Moley. I gave Mr. Myers this article prior to the meeting. It appeared in the *Insurance Management Review* of October 17, 1964, a copy of which was put in our record, I believe, a few days ago. The questions I wanted to ask are in respect of quotations that appear in the article which, I think, are typical of some of the criticisms that have been levelled at the Canada pension plan. Now, you are quoted by Mr. Moley as having been quoted in the minority report of the ways and means committee on the 1964 house bill as having made the following remarks to which Mr. Moley has added his own comments. These are the remarks:

> "For those now on the rolls, it is likely that they would have paid, at most for about 10 per cent of the benefits actually payable to them." The fact is that people retiring today have by no means "purchased"

their benefits. To cite a hypothetical case, a man with wife of the same age who retires in 1964 will have paid into the system since 1937 $3,516. He will receive a benefit expectancy of $32,000.

This has been referred to as a bonus by some people who have appeared before the committee. I wanted to know from you how valid you think it is to place a present value on expected benefits when you are talking about a social insurance program.

Mr. MYERS: I think from a mathematical standpoint these figures can be calculated, as I did. The question really is not on the mathematics of it but on the relevancy of the matter. For example, are the benefits strictly related to the contributions; in other words, if the benefits were closely related to the amount that could be purchased from the contributions, the system then would not be doing the job it would be intended to do and it would not be a social insurance system. I think for a social insurance system to be effective it must pay benefits that at least bear some relationship to the social adequacy needs, and thus necessarily in the early years of a system relationships like this will develop.

Mr. MUNRO: In other words, would you say that any talk along these lines would be more relevant to private pension plans, as we know them, on a fully funded approach rather than a social insurance program? Would it be fair to say that?

Mr. MYERS: I think that the interpretation of what this means would be much more relevant to a private pension plan. The point is that when a statement like this is made I think the author intends to point this out as a horrible example. But, you could point this out as a desirable characteristic of social insurance; that it pays adequate benefits in the early years, rather than benefits in proportion to what the individuals paid in, because they did not have the opportunity of paying in many years. It is a way of giving past service credit. And, the same type of comparisons would show up in private pension plans which have been newly established.

If an employer who has been in business many years were to establish a pension plan today, in virtually all cases—at least, in all well planned pension plans—he would give credit for past service for his older employees. So, a person retiring shortly after the inception of the plan would have contributed very little and yet the pension paid would be many times greater in value than the contributions made since the plan started. The employer does this for the very reason he establishes the plan; he wants to retire people with adequate pensions. He is not interested in the dollar relationship between the money coming in and the money going out. His objective is to have a plan that is effective in taking care of his superannuated employees.

Mr. MUNRO: I would like to ask you one more question, sir, in respect of that article. Mr. Moley is quoting Mr. Ray M. Peterson as having made the following statement:

> "Will an employer ask a private insurance company whether he can obtain larger benefits for new employees with the same joint employer-employee contributions? If he should ask me, this is what I would have to say. 'About 80 per cent of joint employee-employer taxes involving your new employees is for old age benefits for the employee, his wife or widow. The remaining 20 per cent is for survivor and disability benefits before retirement. Depending upon the marital status and the sex of your new employees and the rate of earnings, this 80 per cent of taxes would buy under an equitable group annuity contract at our present rates, 40 per cent to 60 per cent more in old age benefits than are provided under the OASDI system'."

Do you believe it is correct that the Equitable Life Assurance Society in this case could provide substantially better benefits than your O.A.S.D.I. system?

Mr. MYERS: The numbers are correct but the analysis is based on an entirely false premise. What is being done in this analysis is to say that the employer and the employee contributions are completely assignable to each individual employee, and this is sort of walking on the other side of the street from the first point that you inquired about. In a social insurance system if adequate benefits are to be paid in the early years of operation to those reaching retirement age—and this is necessary for such a system—this group will be paid more in benefits than they and their employers will have paid in contributions. Where does the money come from? Obviously, no social insurance system has any magic machine for turning out $10 when $1 is put in. Money must come from future employers. So, for the younger employees you must assume that part of the employer contributions is being used for the benefit of the initial older group and, therefore, you cannot assign the employer contribution for the younger group to these particular younger employees. If you could, these results of Mr. Peterson would come out. But, you cannot use the same money twice.

This same situation prevails in private pension plans. If an employer establishes a private pension plan and, let us say, on the average his cost will be the same amount as the employee contribution rate, actually, generally speaking, he is not putting in the same amount for each person; he is putting in much more for the older employee and he might be putting in no money for the younger employee.

There is still another point where he says that the Equitable could come in and give much more benefits to the younger employees. He could also say the same thing about a private pension plan. Let us suppose that X insurance company has insured a pension plan for a certain employer, and the employer's average rate of contributions for both the older and the younger employees is, let us say, 8 per cent of the payroll. Another insurance company—for example, the Equitable—could come in and say "We can do much better for you. Just let us insure your younger employees and we can give you a rate of 5 per cent". They can do this because if the plan were divided into two groups, the younger and the older employees, then the younger employees might have a rate of 5 per cent while the older employees might have a rate of 15 per cent. When you average them out, it will come to the 8 per cent figure which I hypothesized.

In the same way, in a social insurance system, the heavy cost for the initial generation of older people must be met by somebody, and by whom in essence is it met? By the employers of workers of all ages.

Mr. BASFORD: I am interested in this point, Mr. Myers. When you were speaking of financing you mentioned that the United States social security had originally been a pay as you go plan but that it was now becoming a partially funded plan, that you were building up a fund. I was wondering what the reasons for that were.

Mr. MYERS: I am sorry. What I tried to say was that originally our plan was drawn up on a modified funding basis and later it approached more toward a pay as you go basis. There are many people, at least in the United States, who say nowadays that when the system was originally established it was just like a private insurance company, that is, fully funded. I was trying to bring out that this was not the case; it was always a partially funded system and over the years it has moved in the direction of a pay as you go system although it is not now that completely, and I do not know whether it ever really will be. Under the present law it is not intended to be a pay as you go system.

Mr. BASFORD: I am sorry; I misunderstood you.

I have one other short question arising from some remarks made by your good friend Mr. Anderson this morning about self-employed persons. I am wondering whether you have the problem of people making an overstatement of

income in order to make higher contributions and therefore receive higher pension benefits. How do you avoid this problem?

Mr. MYERS: I do not know of any studies that have been made on this. At least one element that would prevent people from doing this would be that it is collected in the same way and on the same form as their income tax, so they would have to pay more income tax. However, I will quite readily agree that for many people, particularly those who were older when the system started, it would be advantageous from a financial standpoint to have over-reported their income for social security purposes and paid more income tax because the value of their additional benefits would far exceed this. However, I do not believe that many people were sufficiently aware of the actuarial aspects of this possibility to do it, and generally people have the desire to try and cut down their income tax. I think we have been reasonably safe in that direction.

Hon. Mr. MCCUTCHEON: Mr. Myers, I believe that you have recently prepared two papers relating to the O.S.I.D.I. system: one explaining the avoidance of indexing in determining benefit settlements and benefits in payment, and the other describing a feasible method of automatically adjusting the covered earnings ceiling by reference to your own system of accounting records. Could you say a few words on those two points of view, and tell us why you feel that they relate to two independent problems?

Mr. MYERS: Yes, Senator McCutcheon. I have prepared two such papers recently. One paper dealt with the question of automatic adjustment of benefits, and then, of course, adjustment of the entire system, to changes in either wage levels or price levels. I examined the pros and cons of the subject, of which there are plenty on both sides. As in many things dealing with social security systems in different countries, there is no single right answer. What might be right for one country might be wrong for another, and in fact several different approaches may be equally right or proper for a given country. At any rate, in this first paper I did examine the pros and cons of automatic adjustment, and the conclusion to which I came was a purely personal opinion that in balance it was better not to have an automatic adjustment of benefits.

I would say the principal reasons why I had this view were that I believed a system would be established on the basis of the economic and social conditions prevailing at a given time. In the future when conditions changed, such as when wage levels rose, any financial resources coming to the system as a result of wages going up and thus generating additional funds available for benefit increases should be studied and utilized by the parliamentary or congressional body in a way that it saw fit.

In other words, I believe that in an automatic adjustment system the whole benefit structure would become frozen and would have to move up automatically with changes in wage levels, whereas under such circumstances it might be desirable to change the system in some other way rather than just to increase everything uniformly. To give you an example of this, suppose that it were decided to place more emphasis on dependants' benefits than on primary benefits. In a system that was not automatically adjusted, when the additional financial resources became available it would be possible to make the changes so as to give more money to the dependants and the survivors than to the primary beneficiaries, while, on the other hand, if a system were automatically adjusted everything would have to move up together.

Still another example, I think, is that in regard to some dollar amounts, such as the earnings test or retirement test, if it is decided that the test has been too liberal in the past, then as wages rise, that dollar figure can be left unchanged and adjustments can be made in other parts of the system. In other words, you have quite a bit more flexibility without automatic adjustment.

Now, the other paper that was referred to was more of a technical paper. In it I examined the question of how we could adjust the maximum taxable earnings base, which is $4,800 under our present law, comparable to the $5,000 that I believe you are considering in the Canada pension plan. The problem was how this base figure could be adjusted to changes in the earnings levels, and especially how this could be done from the records of the system. I tried to write my paper very carefully so that it was made clear that I was not exactly advocating that this be done, although I think I perhaps suggested in the paper this might be desirable. My main emphasis rather was on how it could be accomplished technically. The problem arising is that, since we do not tax anything above $4,800, the covered earnings records that we have and from which we compute averages are limited by the $4,800 ceiling; so if we just use our average covered earnings for an entire year, the rise in it is not really indicative of the true rise in wages.

For example, as a rough indication, if all wages in the United States were increased last January 1 by 10 per cent, our covered earnings would probably increase by only about 5 per cent because so many of the people are, in large part, above the $4,800 ceiling. The solution to this problem that I proposed was to consider only our first quarter's earnings, that is, the earnings that are reported just for the first three months of the year, since so few of these are affected by the $4,800 ceiling.

In our accounting procedure we get an exact count of these wages by quarters, so that we do have readily available without any further work the means for an automatic adjustment along the lines I indicated in my paper.

Hon. Mr. McCutcheon: Mr. Chairman, I have not seen these papers, I have only heard about them. I am wondering whether, with the consent of the committee, I might ask Mr. Myers if he would let you have copies which might be incorporated in our proceedings because they deal with two rather important subjects.

Mr. Myers: I would be very glad to send you copies.

The Chairman (*Mr. Cameron*): Is that the agreement of the committee? It is agreed.

Hon. Mr. McCutcheon: In your statement you spoke just now of the retirement test. Correct me if I am wrong, but I understand that our proposed retirement test is similar to that currently being used under the O.A.S.D.I.

Mr. Myers: Yes, senator, that is correct. In fact, it is noteworthy that the retirement or earnings test in the British system also bears a certain similarity to it. I might describe it just briefly so that you will see the similarities. Our earnings test applies to all beneficiaries, except disability beneficiaries. Thus, it applies to the survivors and the dependants such as the wife or children of a retired beneficiary. However, it applies only up to the age of 72. This test really has two parts to it; first there is an annual test. If a person earns $1,200 or under during a calendar year he can draw full benefits; if he earns over $1,200 a year his benefit is reduced by $1 for each $2 of earnings for the first $500 of earnings in excess of $1,200. In other words, if somebody earns $1,700, $250 would be deducted from his annual benefits. If his earnings are in excess of $1,700, there is a $1 for $1 deduction.

However, overriding this there is the second part of the test which says that in any month, regardless of the annual earnings the individual has, if he has wages of $100 or less and if he does not engage in substantial self employment, he will get the benefit for that month. Let me give you an example. Suppose somebody works and earns a considerable sum, perhaps $4,000 during the year, but only works for eight months during that year, the other four months he will get benefits. This is an advantage to seasonal workers and

it also is a necessary provision to take care of the case of the year of retirement; in other words, people might retire in the middle of a calendar year who have had very substantial earnings up until the time that they retire, and yet from that time on they are completely retired. We pay them the benefits for the subsequent months. On a family basis, the earnings of the husband reduce the entire benefits that flow from this record. If the wife works it affects only her benefit. If a widow goes to work she might lose all her benefits, but the children's benefits continue regardless.

Hon. Mr. McCUTCHEON: You are applying this to survivors and dependants, whereas we are not proposing to do it under our scheme.

Mr. MYERS: That is correct.

Hon. Mr. McCUTCHEON: I understand your benefits are not subject to income tax?

Mr. MYERS: That is right.

Hon. Mr. McCUTCHEON: Would your present form of retirement test be viable or effective if the benefits were subject to a tax so that all a person would be losing would be the marginal benefit after tax.

Mr. MYERS: I have not particularly thought about that, but I think what you say is correct.

Hon. Mr. McCUTCHEON: Has there been any pressure to reduce your retirement test below 72 or to a lower age?

Mr. MYERS: Yes. I might give some history of this. Originally the retirement test had no upper age; then in 1950 when the self-employed were brought into the system, some of the people who argued against this said that many self-employed people work for their entire lives and would never receive any benefits. So, as a compromise measure a limit of age 75 was put in the law. Then, in 1954 when farmers were covered this same argument was brought up again and the age was moved down to 72.

From time to time there has been talk of lowering this age to 70 or 68, but there has been no active move in this direction other than there have been some bills introduced to do so but they have not been bills which have great significance behind them. The advisory council to which I made reference stated in its report that the retirement test as it was operating seemed to be satisfactory, although it would always need to be examined. In essence they said that age 72 was satisfactory.

Hon. Mr. McCUTCHEON: The retirement test will be a factor in determining whether or not actuarially reduced benefits are taken at an earlier age, I assume.

Mr. MYERS: I think many people who take reduced benefits at an earlier age do so because they just do not have any substantial employment. As it turns out, however, if a persosn takes a reduced benefit at age 62 and then returns to work, the retirement test operates; he does not receive a benefit, and when he reaches 65 then immediately the actuarial reduction is recomputed to allow for the time the individual actually did not receive benefits. If a person retires at age 62 and then after retirement finds that he does not like it and returns to work at age 63½ and works through to age 65 and then retires again, or at any point after age 65, the actuarial reduction then is based not on the original three year period but on the one and a half year period.

Hon. Mr. McCUTCHEON: There is a recalculation every time they move in and out of the labour force.

Mr. MYERS: No. this re-computation is done only at age 65. This is not done from the standpoint of equity, but is done in terms of administrative feasibility.

Hon. Mr. McCutcheon: The actuarial reduction can be taken at age 62 subject to the retirement test.

Mr. Myers: Yes.

Hon. Mr. McCutcheon: As I understand it the O.A.S.D.I. is administered under two statutes. One statute levies the taxes and the other handles the trust fund and benefits. Would you explain the system and tell us how it arose.

Mr. Myers: Really we have two separate acts; one is the Federal Insurance Contributions Act which is the taxing act and then there is title II of the Social Security Act which contains the benefits and trust fund provisions. The reason it arose that way is that when the law was being considered in 1935 there were grave doubts about the constitutionality of the measure; nobody really knew—it was an uncharted area. Moreover, about this time there had been a separate railroad retirement act enacted, I think the year before, which had been declared unconstitutional. So, this added to the fear that there might be constitutional problems and it was decided to put the two measures in separate acts and, moreover, to have complete separability.

There was some language to the effect that there were to be appropriations to the trust fund each year in an amount sufficient as an actuarial premium to meet the benefit obligations. In practice what was done in those first years of 1937 and 1938 was that the amount put in the reserve account was the estimated tax collections under the operating tax act less the administrative expenses of the various government agencies which administered the system; that is, both those collecting taxes and paying the benefits. There was a case testing the constitutionality of the program and when this was brought before the supreme court, the decision was that the system was perfectly constitutional. In fact, the decision made it clear that there would not have needed to have been quite the degree of separateness that there actually was.

When our 1939 amendments were enacted a lesser degree of separability was introduced in that the contributions or the taxes, although still being collected under a separate act as part of the internal revenue code, in essence were appropriated 100 per cent automatically into the trust fund. The language in title II says that an amount equal to 100 per cent of taxes collected under this separate tax act should be deposited currently into the trust funds, and this same basis has continued from thereon. At present, not only benefit payments but also administrative expenses are paid directly out of the trust funds so, in essence, there is a completely self-contained accounting, whereas the original act was a little vague on this.

Hon. Mr. McCutcheon: So, the funds raised under the taxing statute are earmarked funds.

Mr. Myers: Yes.

Hon. Mr. McCutcheon: A number of European countries are moving from the corporate tax, as we know it, to the so-called value added tax as a basis for taxing corporations. I believe it has been suggested by the committee for economic development in the United States that serious consideration might be given to the United States moving in that direction? Whether or not it now appears to have been necessary, have you given any consideration to a completely separate taxing statute as opposed to a statute that both imposes taxes and grants benefits; would that facilitate the integration under a value added tax system.

Hon. Mr. Croll: Would you explain what this is? It is new to me.

Mr. Myers: I was about to disclaim all expertise on this subject myself.

Hon. Mr. Croll: I am in the same boat.

Mr. Myers: Senator McCutcheon may be able to tell us more about it. I do not know enough about general tax structures and relationships to give you any authoritative answer.

Hon. Mr. McCUTCHEON: Members of the committee do not like me to give evidence.

Mr. KNOWLES: We have been waiting for days to get you on the stand.

Mr. MUNRO: We would appreciate it if you would give evidence.

Hon. Mr. McCUTCHEON: Not this afternoon. Thank you, Mr. Myers.

Mr. LLOYD: Be careful, senator; they are speaking about evidence and not comments.

Mr. FRANCIS: I would like to ask Mr. Myers whether he has had an opportunity to look at the bill which is before this committee. I am thinking particularly of the provisions for the collection of the employers' contribution.

Are they substantially similar to those which operate under the O.A.S.D.I. system in the United States?

Hon. Mr. CROLL: I have no objection to Mr. Myers answering the question, but he does have to go back to Washington today and he has to live with our own department here, too.

Mr. FRANCIS: All right. All I was asking was whether or not there are differences in the procedures adopted. What is the procedure for the collection of employer contributions in the United States? I did not intend to ask a loaded question.

Mr. MYERS: The way that we collect the social security taxes or contributions differs among the different classes of coverage. Let me deal with them in turn. For the major group of employees in the industrial and commercial field the way the law reads is that the employer is responsible for the employee's contribution, and he is authorized by law to deduct it from the wages of the employee as he pays them. So what is customarily done is that the employer withholds the contributions from the employee each pay day. We do not have the feature which is in the Canada pension plan concerning the first $50 month, or $600 a year, because we start right away from the first dollar until the employer has collected on $4,800 in a year, whereupon he ceases to withhold.

Mr. FRANCIS: Let us take an extreme case. Suppose this contribution was reached in the first quarter, I mean the entire employer contribution in respect of that employee. It is then all collected in that quarter.

Mr. MYERS: It would therefore cease for the rest of the calendar year.

Mr. FRANCIS: Have there been any complaints from employers in regard to administrative complications with their payroll records?

Mr. MYERS: No. I think that generally employers have been able to handle this quite well. But there have been several complaints along those lines over the years. One complaint occurred many years ago during 1937 and 1938 when we had a provision that there would be no contribution collected after a person reached the age of 65. This created all sorts of complexities because particularly in the 1930's many employees did not give their correct ages to their employers. But this provision was eliminated. I think the employer organizations took a position in favour of it, and ever since we have had no age limit. We do occasionally have criticism from some employers in regard to cases where the employee may work for more than one employer during the year.

Mr. FRANCIS: That was going to be the next point I was intending to ask you about.

Mr. MYERS: Whether such dual employment is done concurrently, or one after the other, employers at times have said that since the employee does not have to pay on more that $4,800, because he may get a refund on his income tax as a credit for anything he has paid over and above $4,800: Why

do we not get some sort of refund as well? I think our answer has been that as a practical matter it would be extremely difficult to try to decide just how to allocate the money. If you said that the first employer during the year should pay it, it would not seem fair; and if you tried to prorate it, there might be difficulties too. Also, any such procedure would invade the employee's privacy. He might not want his employer to know that he is moonlighting. So with all the complexities involved, I think we have generally been able to convince employers that although there might be some grounds for claims of equity here, nevertheless that on balance this is the only reasonable way to do it.

Hon. Mr. McCutcheon: They have become reconciled.

Mr. Myers: Possibly.

Mr. Francis: Thank you.

Mr. Myers: The various categories of self-employed pay after the end of the year on their income tax return. For those who are self-employed and also have wages it is a very simple matter. They just pay on the difference between the wages they have had and the $4,800 limit. If they have wages of more than $4,800, they are not covered as self-employed persons.

As far as the employer in the industrial and commercial field is concerned, he withholds the money from the pay. Then, except in the case of some small employers, the contributions must be deposited with the government at the end of every month, and every three months the employer turns in a detailed statement listing the names of the employees, their account numbers, and the amounts of wages and the total taxes for the three month period, and this is reconciled with the deposit he made previously.

For the housewife with domestic servants, we have a short reporting form which we hope will ease the burden on her, in which, each quarter, she reports the wages paid and the amount of contributions that are due. In actual practice in the United States virtually all housewives pay the employee's contribution as well as the employer's contribution.

For those people who are in non-profit organizations, where there is no contribution liability until they have earned $50 a quarter, but then on that $50 too, it is up to the employer to administer it. The employer may pay the $50 and not withhold until the $50 is reached, or he may withhold on the entire $50 as it is paid; but for most employers that $50 limit does not mean anything. The same thing applies to domestic servants. Another reason the housewife usually pays the employee tax is that if she does not deduct it from the pay, until the pay reaches $50, and if she then deducts it all out of one pay, it will look like a very large payment. So it is much simpler for the housewife to pay it herself.

Hon. Mr. McCutcheon: She wants to keep her maid.

Mrs. Rideout: I wonder if I might ask Mr. Myers whether the disability benefit provisions in the American program have been successful.

Mr. Myers: I think they have been reasonably successful. We pay benefits to approximately 800,000 disabled persons each month. I am not using this as a sign of success or lack of success, but just to indicate the magnitude of the program. The wife of the disabled worker receives a benefit payment only when she is either over 62 or, in most cases, when there are dependant children present. The payments on the average run about $90 a month for the worker, and roughly half again as much for each dependant up to a certain maximum.

Our definition of disability has been a very strict one. We get complaints about it very frequently. We also get many appeals about it, and some law suits too. But in essence it is intended to be a definition for total and permanent disability, and the benefit is paid only after there is the equivalent of a seven

month waiting period during which the person must have been disabled. Our experience has been reasonably favourable despite some very dire predictions.

In the very beginning, in the first few years, when we examined our experience, it seemed to be extremely favourable because we had people becoming disabled at so much lower a rate than we had estimated. We had been particularly pessimistic about the likely experience for the fair sex, where we thought that disability would be from 50 to 100 per cent higher than for men. But to our surprise we have not had that result as yet.

The rates of becoming disabled for women have turned out to be 25 per cent lower than for men. As a result of this initial experience with the rate of people becoming disabled, we reduced our cost estimate some and liberalized our program in various ways. Then we found later that the rate that people were staying on the pension roll was greater than we had anticipated. In other words, people were not dying off or recovering quite as rapidly as we thought possible. It was rather embarrassing. We had to raise our cost estimates. Accordingly, the amount that was originally allocated for this program now has to be increased. Originally we had thought that one half per cent of the payroll from the employer and employee combined would finance the program adequately.

We now find that it would have financed the original program, but with the way it has been extended we now find we need something like .65 per cent, or roughly two thirds per cent of payroll to be allocated to operate the system. Legislation is pending which I think will be approved to accomplish this.

Mrs. RIDEOUT: Could you pinpoint any particular area of difficulty?

Mr. MYERS: The disability program is, I think, quite obviously more difficult to administer than the retirement or the survivor programs because, of course, both age and death can be proven fairly readily. The earnings test is on the whole not too difficult to administer in regard to the people who have retired. Of course, for the survivor cases there are not many problems, but the determination of disability is frankly difficult.

Mrs. RIDEOUT: You have had to be very firm?

Mr. MYERS: We have been very firm despite, sometimes, congressional pressure!

Congress itself, both in the law and in the committee reports, emphasized that we should be very strict on this; and this has been re-emphasized over the years.

Mr. AIKEN: This does not apply to individual congressmen, I assume.

Mr. MYERS: No, we could find cases where a congressman has made very strong statements in general about this matter of strict definition of disability, and at the same time in the case of a particular constituent he may have felt rather unhappy that we had turned the case down.

Mr. KNOWLES: It would be quite different up here!

Hon. Mr. CROLL: In earlier evidence before the committee it was indicated that in the 30 years of the existence of the plan—and you were there at the beginning, I believe you told us—

Mr. MYERS: Yes.

Hon. Mr. CROLL: —the government has had a look at it about every two years on average, correcting it, changing it and what-not. Is that the history of the plan?

Mr. MYERS: To quite an extent, that is the case.

Let me describe the history of the congressional consideration. The program was established as a result of studies made by the committee on economic security in 1934 and 1935. In 1937 and 1938 an advisory council was established by the Senate finance committee and the executive branch jointly. The important amendments of 1939 resulted.

During the war years, of course, there was no real consideration of the program, and only certain minor changes were made, except for the fact that the tax rate was frozen at the initial level.

Following the war, a study group was established by the house ways and means committee. This group made an extensive study in 1947. In 1947 an advisory council of outside citizens, as are all advisory councils, was established, and it looked at the program in 1947 and 1948.

In 1949 and 1950 some very important amendments were developed that brought the program up to date following the war, and every two years thereafter through 1960 congress itself looked at the program, and amendments were passed in every even year—1952, 1954, 1956, 1958 and 1960.

At the same time in 1953 an advisory group studied the coverage of the program, and again in 1958 there was an advisory council which just studied the financing of the program.

In 1961 there again was legislation, and since then there has been no significant legislation, although congress has been very extensively considering the program in connection with hospital and related benefits for beneficiaries aged 65 and over.

Finally, in 1963 and 1964 there was another advisory council appointed which studied all aspects of the program, and that has just submitted this extensive report that I have mentioned several times.

Hon. Mr. CROLL: The advisory council? Do you differentiate between that and the congressional group? The advisory council is an outside group?

Mr. MYERS: It is an outside group authorized by law to be appointed by my department.

Hon. Mr. CROLL: From the inception of the program it has been under constant examination either by congressional committees or by committees made up of civilians appointed by congress? It has been under constant study all that time?

Mr. MYERS: Yes, that is correct, Senator Croll. That is a summary of what I said at great length.

Hon. Mr. CROLL: Have you in your mind the percentage of the people who take the security at an early age?

Mr. MYERS: You are referring to workers who retire between the ages of 62 and 65?

Hon. Mr. CROLL: Yes.

Mr. MYERS: In just the last two years, rather surprisingly, this has run very close to 50 per cent. For women this could be expected, I believe, because as you are aware many women will work part of their lifetime in industry and commerce and the rest of the time they will work at home, but of course the latter does not count under the system. For example, a woman might have worked during world war II for three or four years in a war plant and she may never have worked since. Under our system, she would qualify for benefits, and in most of those instances as soon as she reached the age of 62 she would take the benefit immediately rather than waiting a few years for a larger benefit at 65 or for a wife's benefit when her husband retires. However, for men it is rather surprising to us that as many as half of the recent claimants have been taking the reduced benefits. This to a certain extent is a result of unemployment due to automation, such as the close down of the Studebaker plant, but it is a matter that deserves very serious study and consideration. Our advisory council, although taking no action in the direction of either reducing the actuarial reduction or lowering the retirement age, has urged that the administration shall watch this closely in the next few years so that the next advisory council may perhaps act in that area.

Hon. Mr. CROLL: Can you pull out of the air a figure for the percentage of those under the security plan who are members of private pension plans?

Mr. MYERS: Yes, I think that of the people covered by our program who are employees, approximatley 30 per cent, or one third, are under private pension plans at the moment. How many of these people will actually draw benefits from those private pension plans I could not say. I think it is very close to the situation here in Canada.

Hon. Mr. CROLL: One third?

Mr. MYERS: Yes.

Hon. Mr. CROLL: You do not trouble with age groups, do you, under your plan?

Mr. MYERS: I have no information available. I do not believe there is any information on the coverage under private pension plans by age groups.

Hon. Mr. CROLL: You just have the over-all coverage, and from what you say it is about the same as ours.

Mr. MYERS: Yes, it is an estimate and I think a fairly good one.

Hon. Mr. CROLL: I wonder if you can help a little more. What is the average amount they will draw under one of those plans?

Mr. MYERS: At the present time I think there is somewhat over a million persons who are actually drawing private pensions, and I think the average pension they are getting is somewhere around $75 per month, but I am not completely certain.

Hon. Mr. CROLL: That is $75? It is $900 a year?

The witness is such a fund of information that I cannot let go, and I have one other point that is troubling me which I would like to put to him. This may be an administrative problem and you may not have faced it. I would like to put forward the position of a man who is drawing public assistance and who is out of employment today, a man who has been in employment until seven months ago when he became unemployed. This man needs some help and he draws public assistance. He is old enough to draw his pension. In the case of your plan does he have to draw his pension rather than accepting public assistance? Will they force him to draw his pension? I do not know whether I am putting the case clearly.

Mr. MYERS: I think the problem you are pointing out is that of a person, for example, who has only a small social security benefit and who has to obtain public assistance anyhow. You are asking whether the public assistance authorities require him to draw his social security benefit?

Hon. Mr. CROLL: Exactly.

Mr. MYERS: This, of course, is a state matter, but I am quite certain that virtually all states insist that the individual shall collect his social security benefit and count that as part of his income before they supplement it with public assistance.

Hon. Mr. CROLL: I was afraid you were going to say that.

Mr. AIKEN: May I ask a supplementary question?

Mr. FRANCIS: I have a supplementary question.

The CHAIRMAN (*Mr. Cameron*): There are two supplementary questions, and I also have Mr. Monteith on my list. Mr. Francis will be first, then Mr. Aiken and then Mr. Monteith.

Mr. FRANCIS: I was very interested in the percentage of those drawing benefits prior to 1965. Does the witness have percentages for people affected by the retirement test? I am referring to beneficiaries who are affected by the application of the retirement benefit.

Hon. Mr. CROLL: Yes, at the present time we have between one million and one and a quarter million persons over the age of 65 who are eligible for benefits but who are not receiving them because of the retirement test.

Mr. FRANCIS: This is a total disqualification?

Mr. MYERS: The type of figures we have for this are, for a typical month, that 8 per cent of the people who could draw benefits are not doing so because of the retirement test.

Mr. FRANCIS: But, there also would be a group drawing reduced benefits because of the partial application of this sliding scale arrangement.

Mr. MYERS: The 8 per cent figure is supposed to represent the net effect of the partial benefits.

Mr. FRANCIS: In other words, 8 per cent is a dollar figure?

Mr. MYERS: Yes, that would be a better way to put it. In other words, we would be paying 8 per cent more benefits if it were not for the earnings test.

The CHAIRMAN (*Mr. Cameron*): Would you proceed, Mr. Aiken.

Mr. AIKEN: I would like to clarify one point, Mr. Chairman. Am I correct in assuming that a person who takes the benefit at an earlier age, say at age 62, at a lower rate of benefit continues at the lower rate throughout the rest of his lifetime?

Mr. MYERS: Yes, that is correct, with the exception that I mentioned; if he returned to work then the amount of the reduction is recomputed. If a person goes on to the roll at age 62, the benefits are permanently reduced by 20 per cent; in other words, if the regular benefit at age 65 was $100, we pay $80 at age 62, and if the beneficiary continues on the pension roll the rest of his life, he will continue on at $80.

Hon. Mr. CROLL: Even though at age 66 he obtains a job which pays twice as much as he had before, and contributes?

Mr. MYERS: That would be an exception. If the earnings after age 65 are large enough to increase the benefit we would then have the benefit recomputed.

Hon. Mr. CROLL: But you make one computation from age 62 to age 65.

Mr. MYERS: Yes.

Hon. Mr. CROLL: And you make another computation after age 65 if he is still in the labour field?

Mr. MYERS: Yes. There is a general provision for recomputation of the benefits if an individual has earnings after age 65; if the earnings are higher than in some of the years before that age he can substitute such a year for one of the poorer years before 65 and we make a benefit recomputation. Under the present law a man has to claim that recomputation, but under the administration bill that has been introduced recently there is a provision, which is of a technical nature, to the effect that this will be done automatically. With the electronic data equipment we are now using we can do it automatically for these people.

Mr. MONTEITH: May I proceed now, Mr. Chairman.

Mr. CANTELON: Mr. Chairman, I have a supplementary question on this same subject.

The CHAIRMAN (*Mr. Cameron*): Would you proceed.

Mr. CANTELON: If 50 per cent are taking the benefits at between ages 62 and 65, have you any figures whether the people who are taking it are in low or high income brackets?

Mr. MYERS: From the study we have made these are people who are generally in the lower income groups and they are claiming the benefits, it seems, primarily because they do not have current employment. It is not that they have, generally speaking, retired voluntarily at those ages. As well, many of them might be partially disabled people who cannot meet our tests for total and permanent disability and yet they really cannot do very much of a day's work.

Mr. CANTELON: Would not this impose a problem in future years when the cost of living goes up, because if they took smaller benefits they would not be in nearly such a good position as they would if they waited until age 65?

Mr. MYERS: Yes, this is a problem, and the advisory council recognized it. It was felt that more study was needed to see if this was, more or less, a temporary condition or whether it would prevail in the future to people coming along at age 65.

Mr. MONTEITH: May I put my question now, Mr. Chairman?

The CHAIRMAN (*Mr. Cameron*): If I may interrupt, Mr. Monteith, there is a problem in respect of the printing of the brief of the Canadian Life Insurance Officers Association, particularly in respect of the two charts. If it is your wish to have these two charts duplicated in the evidence it will delay the printing of the evidence for two days. Are you agreeable to that?

Some hon. MEMBERS: Agreed.

The CHAIRMAN (*Mr. Cameron*): I am sorry, Mr. Monteith, but would you proceed now.

Mr. MONTEITH: Mr. Myers, I believe you indicated you operate your system under two different pieces of legislation and that you deduct your costs of administration from the legislation governing your contributions.

Mr. MYERS: This was the original procedure until our 1939 amendments, but because the supreme court had given such a favourable decision on the constitutionality of it there seemed no question but that we could adopt the present procedure, in which 100 per cent of the taxes are put into the trust funds and then the administrative expenses are taken out.

Mr. MONTEITH: Could you give me the percentage of administrative expenses in respect of the contributions?

Mr. MYERS: Yes. For the system as a whole, in the last five years the administrative expenses have represented about 2¼ per cent of either the contributions or of the benefit payments, since the two have been very close to each other. Perhaps I should say that we have two separate parts of the system, one for old age and survivor benefits and the other for disability benefits. Each has its own separate trust fund, for reasons I will give later. As I think was indicated by one member, the disability benefits are more difficult to administer, and this shows up in the figures for the two branches separately. In the disability portion the administrative expenses run around 5 to 6 per cent of the benefits or the contributions, whereas in the old age and survivors insurance portion they run around 2 per cent. So for the two together the average would be 2¼ per cent.

Mr. MONTEITH: I presume that these expenses include your share of income tax collections and so on from various offices of the Department of Internal Revenue.

Mr. MEYERS: Yes. I think it is a fairly complete inclusion of all administrative expenses traceable to the system, including the expenses of the treasury department for collecting the taxes and issuing the benefit cheques, the expenses of the social security administration for record keeping purposes, benefit adjudication purposes, payments for salaries, machine supplies, reimbursement to the post office department for mailing expenses, and so on. One expense it does not include is for the time that congress spends considering the social security legislation.

You might be interested to know why there are two separate trust funds. As I said, we have an old age and survivors' insurance trust fund and a disability insurance trust fund. The disability fund is allocated a certain part of the taxes and the rest goes to the other fund. At present the disability fund gets one half per cent from the employer and employee combined and three quarters as much in the case of the self-employed.

When the disability benefits were considered in 1956 there was considerable opposition to them, and it was pointed out that the difficulties of administering this portion of the system might endanger the solvency of the whole system, and that many of the old folks would not get pensions; so, the advocates of disability benefits got the idea of two funds, and this separate fund was set up for our disability benefits. If ever we should run out of money in the disability fund, for example, we would not be able to pay benefits. So, theoretically at least these arguments have certain validity. However, I feel certain if the disability fund got down to such a point that it appeared likely that we could not pay benefits during the next one or two years congress would take appropriate action. It is for this same reason in respect of the proposed hospital and related benefits that are being considered we would set up a third trust fund.

Mr. CHATTERTON: You said that in the case of farmers who have no income tax liability they have the option of taking two thirds of their gross and counting it as net. This figure seems high to me. What was the reason for the two thirds figure?

Mr. MYERS: Originally it was one half but the legislators, particularly those interested in the farmers, suggested that two thirds might be a better ratio. Of course, this is just an optional procedure; the farmer can use his net, if he wants to. And, he could change the basis from one year to the next; for example, it is conceivable a farmer could operate on the two thirds of gross basis until he retires and if his net is very low he might shift over to his net after age 65, as that is what counts for the retirement test.

Mr. CHATTERTON: I know we cannot relate any questions to the Canada pension plan but, in general terms, is the optional retirement age of 62 based on an average retirement age?

Mr. MYERS: No. I will explain the way this developed. Initially, we had age 65 for both men and women, and when the legislation was being considered in 1956, there was considerable pressure brought to have a lower age. The argument made was that the wife is usually younger than the husband and also that a woman who is widowed when she is somewhat under 65 has a hard time getting a job. So, we arrived at the age of 62 sort of by compromise; this was about the average difference in age between husband and wife. And then since there was a lower age for wives and widows, the women workers said that they too should be able to receive benefits at age 62. Accordingly, the law was changed so that the woman worker too could get benefits at that age. Then, subsequent to 1956, as there became more unemployment, particularly in certain industries, there was pressure to the effect, why not let men obtain benefits at age 62, especially if this does not cost anything on a long-range basis since it is on an actuarially reduced basis. So, in 1961 an amendment was put through whereby the age was reduced to 62 for men as well.

Mr. CHATTERTON: Does this add materially to administrative difficulties?

Mr. MYERS: I do not think we had any great administrative problems there. Actually I think many of the beneficiaries do not completely understand the benefit calculations involved, but they realize there have been some reductions. Most of them take their benefits at the age of 62 because they are no longer working, and they want their benefits then instead of a larger benefit later.

Mr. CHATTERTON: When a country enters into a social insurance scheme based on earnings, is it desirable to have a retirement age at a reduced rate

which coincides with the average retirement age? Let us put it this way, if the statutory requirement is, say, the age of 65, you cannot get a pension before that. If the average retirement age is less than that, do you think in general terms it would be desirable to allow a reduced retirement age?

Mr. MYERS: I would say under circumstances where the average retirement age was lower than the planned normal retirement age, the normal retirement age should be lower. Under our plan, at least in the early years of operation, the average retirement age was around 68 for men, and 67 for women. Why we selected the age of 65 to start off is an interesting matter. I think the reason was that it was a nice round figure. Seventy seemed too high because most people did not work until the age of 70; while the age of 60 which was advocated by some people, the Townsend plan among others, was far too low from a cost standpoint, so 65 was found to be a nice round figure. I think in the future in the United States if our experience is that many people will be forced to retire before the age of 65, or cannot find jobs when they get to be near that age, we might have to lower our normal retirement age; in other words make it 62 without a benefit reduction. This involves a considerably increased cost, but if such circumstances arise, this cost may have to be borne by the economy.

Mr. CHATTERTON: In speaking about maturity in the social insurance plan you indicated that there would be justification for a windfall for those approaching retirement based on the principle that they have given past service. Would such an obligation not extend to those who had already retired at the time the plan came into effect?

Mr. MYERS: This is a matter that can be debated, of course. It is not a mathematical matter. In my own personal opinion it is highly desirable to make a plan fully effective as soon as possible. In the United States we did not do it. There were a number of people who argued that you should bring in what we called the non-insured aged and blanket them in, at least, for the minimum payment. There were strong arguments for this, and it was considered very seriously but was never adopted by the congress. At our stage of maturity where our system has been operating for 25 years, this remaining non-insured group that would be blanketed in is relatively small; it is probably somewhere in the neighbourhood of two million people at the present time. Many of these people are receiving old age assistance, so if we gave them a minimum payment, maybe a third to a half of them would just have that taken away from their assistance, and not much would be accomplished.

However, speaking along this line, you might be interested to note that our hospitalization benefits proposal contains such a blanketing in recommendation, so that this group of two million people, whether they are on old age assistance or not, would get the same benefits as the insured group. These benefits would be paid from the general fund; they would be paid through the hospital insurance trust fund but the money would come from general funds.

Mr. CHATTERTON: Do you think it is desirable in a social insurance scheme based on earnings in an economy such as Canada's that the benefits relate directly to the average earnings of the person involved? If it is a social insurance scheme should it be related directly, or should there be some modification or adjustments for those who are in the high income brackets?

Mr. MYERS: I think that is a question I had better pass by.

Mr. LLOYD: Mr. Myers, earlier I think you referred to disability matters. If I recall it correctly, you said there was no earnings test for disability payments.

Mr. MYERS: That is correct. I should have explained that. It was considered anomalous by the congress that anybody who is stated and proved

to be totally and permanently disabled could have any earnings; therefore to put an earnings test in would seem to be inconsistent. It was recognized that some disabled people might, in the process of vocational rehabilitation, have substantial earnings, and we do have a provision that permits the continuation of benefits for a year while the person is undergoing vocational rehabilitation, and if their earnings exceed whatever the limits are, this is still permissible.

Mr. LLOYD: Was this within the context of section 535 of your handbook? I am trying to reconcile that with your statement.

Mr. MYERS: You see, the presence of such earnings serves as evidence, but it may not be conclusive so that we would not automatically cut the person off if he had earnings of more than $100 a month. There might be, as I say, unusual circumstances such as vocational rehabilitation. If he was in a training course and was earning more than this, we would not reduce the benefits, but when we see that someone is earning more than $100 a month as shown in our earnings records, we flag that case and investigate it to see whether in fact he has recovered.

Mr. LLOYD: So that this just shows an ability to earn. Thank you.

Mr. GRAY: May I ask Mr. Myers a general question about administration? Are cheques sent out monthly?

Mr. MYERS: Yes.

Mr. GRAY: How many cheques do you send out every month?

Mr. MYERS: We have 20 million beneficiaries on the roll. However, we do combine some cheques because, for example, the cheque for a husband and wife is combined unless the wife objects, then we send two separate cheques. We do, of course, have cases where the wife is the primary beneficiary and the husband is a dependant, and also in cases of survivor families the widowed mother virtually in all cases gets a single combined cheque for all the children. I, therefore, do not have the specific figure regarding the number of cheques we issue, but I would think that they would be somewhere in the neighbourhood of 15 or 16 million a month.

Mr. GRAY: Do you have any figures indicating how many of these people receiving cheques come to the administration with complaints about their cases?

Mr. MYERS: I cannot give you any specific figures on that. We have some 600 district offices all over the country and the beneficiaries can and do come to these offices with questions about their benefits rights and why they are not getting payments, or why the payments are not as large as they believe they ought to be.

Mr. GRAY: Do you have any information to indicate if there is widespread dissatisfaction with the scheme?

Mr. MYERS: I do not think there is. In general we have excellent relations with the public and I think we generally hear very favourable comments from the congress about this. For a United States government agency we have taken a rather aggressive position in going out and informing people of their benefit rights, and we have a very widespread informational program. Sometimes government agencies feel restricted in certain ways, and quite properly so, that they should not go out and get people to press claims against the government. We have always viewed our program as a somewhat different situation. We go out and inform the beneficiaries when we know a claim exists.

Mr. MUNRO: And we all saw what happened to Goldwater.

Mr. GRAY: Is there any widespread movement in the United States to scrap this system and substitute for it, for example, a flat rate old age security system such as we now have?

Mr. MYERS: I would say there is virtually no movement in this direction. I know of no organization that is pushing this. I might change this statement a little bit; perhaps there are some politically oriented organizations of relatively small size that want to do away with the whole social security system, but I do not think there is any substantial portion of the population that would want to do this. I could state that as a matter of fact in the past political campaign the position of the republican nominee changed during the campaign from a position of making the system voluntary to one of supporting the system in its present form, and in fact he suggested that it should be improved, which I do not think would mean changing it to a flat benefit system.

Hon. Mr. MCCUTCHEON: Do you have a minimum benefit?

Mr. GRAY: Just a minute, senator. I do not interrupt you when you ask questions.

Mr. Myers, I realize you do not have a situation similar to our flat rate benefit, but is there a minimum pension payment for all or most of those on your O.A.S.D.I.?

Mr. MYERS: We have a provision which says that the minimum benefit for a retired person at age 65 is $40. If he retires earlier a reduction applies, so he would only get $32 at age 62. This minimum payment I think is made to approximately 5 per cent to 7 per cent of the retired workers. The reason the figure is even as high as it is, is not that so many workers are low income persons but rather that many of the persons receiving the minimum benefit have had sporadic earnings records. An example is the case I gave of a woman who worked during world war II for two or three years in a war plant and never worked since. If she were "retired" today at age 65, she would almost certainly receive a minimum benefit of $40.

Mr. GRAY: I may not be using this term correctly, but what would you say would be the average figure so far as the size of payment is concerned?

Mr. MYERS: The average payment now for a retired worker is about $75 for those on the roll, while for those currently coming on the roll it is about $80. This includes all types of cases from the person coming on with a minimum benefit of $40, because he had a very sporadic wage history, to the full time worker who has been in the system every year since it began at relatively good wages—a person who perhaps is getting $100 or $105 a month.

Mr. GRAY: That is the arithmetical average.

Mr. MYERS: We have worked out averages for various types; we have worked out an average of what we call the full time male worker, and that comes out to somewhere around $105.

Mr. GRAY: You may have answered this previously. Could you tell us what the initial transition period was when the system first went into effect before maximum benefits were available?

Mr. MYERS: I did not mention anything like that. This is a little difficult to answer in respect of the system as it originally was, because when we first paid benefits in 1940, this was three years after contributions had been collected and at that time benefits were related primarily to the person's average wage, but there also was a factor which related to the length of contribution. Accordingly, in a sense, we did not pay the maximum benefit at the start.

To answer your question further, I think we could consider the situation in more recent years, such as when farmers were first covered in 1954. Farmers could get full benefits within two years; so, in that case we had only a two year transitional period.

Mr. GRAY: I believe certain changes either are pending or have just been passed.

Mr. MYERS: Pending, I believe.

Mr. GRAY: If they should be passed this year, how long would it be before the full extent of these changes would be available to the beneficiary?

Mr. MYERS: The pending legislation this year, which is in the general area of benefit amounts similar to what was considered by congress last year and which passed both the house and the senate but died in the conference between the two bodies, would have increased benefits of all now on the roll by a certain amount. In addition it would have provided for higher benefits in the future because it would have raised the earnings base from the present figure of $4,800 to $5,600. Under the currently pending legislation a person cannot receive the maximum benefits based on the $5,600 base, which would be close to a benefit of $150 a month, for many years.

Let me explain this. If a person were to retire at age 65 he could not get this maximum benefit until some 40 years from now because he would have to count some of the wages in the past at $4,800 which would pull down his average. However, because of the provision that you can substitute a year of high earnings after age 65 for a low year before age 65, a person who worked in the future for about nine or ten years after age 65 at a wage of $5,600 could draw the maximum benefit. Specifically, a person who reaches age 65 this year or before could, by working for nine years into the future, with the new higher earnings base proposed, draw the maximum benefit.

Mr. GRAY: What about a person reaching age 55 this year; would he get the maximum benefit?

Mr. MYERS: Not unless he kept on working beyond age 65; he would have to count some of the past years at $4,800 rather than at the new maximum of $5,600.

Mr. GRAY: What has been the trend of personal savings in the United States since your social security system has been put into effect?

Mr. MYERS: I do not have at my finger tips any information on this, but when you consider that the system started in the depression period of the 1930's, I would think there would be much more personal savings in force now than there were then; certainly in dollar terms, and probably also in relative terms.

Mr. GRAY: Thank you.

The CHAIRMAN (*Mr. Cameron*): Mr. Knowles, I missed you on the first round. We now are starting on the second round.

Mr. KNOWLES: The members of the committee probably will be glad you did miss me on the first round, because most of my questions have been asked. Mr. Myers, generally in this country our Canada pension plan has been regarded as a very complicated piece of legislation. I think the more we hear about yours, the simpler our proposal looks. However, if we have a committee every two years for the next 50 years, it probably will become just as complicated.

I believe in your initial statement you mentioned contracting out. As I understand it you do have contracting out of a form in the United States.

Mr. MYERS: No. When the act was first studied we considered it and there was quite a fight over it at that time, but it was not adopted. I think virtually all parties now are in agreement that it was desirable there should be no contracting out.

Mr. KNOWLES: I will have to alter my question; I misunderstood you earlier. I take it that the question is not a difficult one for you. You recognize this is one of our problems here; that is, the problem of integration. Do you agree it is better to have a plan that is universal and leave it to other plans to integrate as they may wish rather than allow for contracting out?

Mr. MYERS: Yes; that has been my position when I have considered social security systems of other countries. It always has been my personal view that the national social insurance system should be of as broad and widespread application as is possible and that any private pension plans, either developed by employers alone or by employers and employees jointly, should be built on top of it.

Mr. KNOWLES: It has not been too difficult for these other plans in your country to make the necessary adjustments.

Mr. MYERS: No. There have been some technical problems involved, but I think the evidence is that when our system was started there were only 500 to 1,000 pension plans in the country and now there are about 30,000. In our case of course it is a different situation. The social insurance system in essence came first and the other plans were built on top of it. That, of course, is not the same situation as having many private pension plans which must be modified to recognize the introduction of a national social insurance system.

Mr. KNOWLES: One of the points which sometimes is raised here is the fact that the total percentage an employee might have to pay would get a bit high. For instance, he may pay 6 per cent on a plan, something somewhere else, and 1.8 on our plan. There are cases in this country where these combinations add up to a fairly high percentage. Does that create any difficulty in the United States?

Mr. MYERS: There are many private pension plans that are built on top of the social security system where the over-all contribution rate for employer and employee combined comes at a fairly high level. For example, you can consider our present O.A.S.D.I. program as having a cost of roughly 9 per cent— 4½ per cent for the employer and 4½ per cent for the employee. There are many private pension plans which have contributions rates jointly between the employer and employee as high as 12 per cent or possibly more. So, the total contribution rate for pension purposes might run as high as 20 per cent.

The CHAIRMAN (*Mr. Cameron*): I have four more names on my list. We do not wish to impose upon you, Mr. Myers. It is now five o'clock. The questions may be short on the second round.

Mr. MORISON: I have not asked one on the first round. May I have an opportunity now?

The CHAIRMAN (*Mr. Cameron*): Yes.

Mr. MORISON: Could you give us the total contributions to the O.A.S.D.I., please.

Mr. MYERS: In the calendar year 1963 the total contributions to the old age and survivors insurance portion were $14.5 billion. And for the disability insurance portion it was $1.1 billion or a total of $15.6 billion.

Mr. MORISON: That was in 1963?

Mr. MYERS: Yes, just for that one year. Now, for 1964 it would be perhaps $700 million or $800 million more than that, the reason being that the contribution rate went up in 1963 so that some of the collections in 1963 were at the lower rate applicable to the previous year.

Mr. MORISON: Just offhand, you would not know what percentage that was of the gross national product, just as an estimate?

Mr. MYERS: I think it is about probably four per cent.

Mr. MORISON: Is there not roughly a figure of about six per cent of the gross national product which goes into public welfare in the United States?

Mr. MYERS: Yes, I think that is right, approximately.

Mr. Côté (*Longueuil*): Would you have a figure for the benefits which were paid?

Mr. Myers: Yes. The old age and survivors' insurance benefits in 1963 were $14.2 billion. The disability benefits were $1.2 billion. So you see that in the combined system the contribution income and the benefit outgo were very closely in balance in that year.

Mr. Côté (*Longueuil*): It was a pay as you go plan?

Mr. Myers: Yes. For the last decade I think the system has been operating more or less on a balance of income and outgo basis.

Mr. Cantelon: I have two questions. The first one is statistical more or less along the lines of those just asked. I understand that from 1937 until 1949 the employee paid one per cent. I wonder if you could give us the dates and the rates that have taken place since that time until today?

Mr. Myers: Yes, I could do that, I have it before me. The table reads as follows:

Past and Future Financing Provisions

Period	Maximum taxable earnings base	combined employer-employee tax rate	Self-employed tax rate
1937-49	$3,000	2%	*
1950	3,000	3	*
1951-53	3,600	3	2¼%
1954	3,600	4	3
1955-56	4,200	4	3
1957-58	4,200	4½	3⅜
1959	4,800	5	3¾
1960-61	4,800	6	4½
1962	4,800	6¼	4.7
1963-65	4,800	7¼	5.4
1966-67	4,800	8¼	6.2
1968 and after	4,800	9¼	6.9

*Self-employed not covered in this period.

Mr. Cantelon: We are to understand that self-employment coverage was one and one half times what the single employee was covered for.

Mr. Myers: That is correct.

Mr. Cantelon: I have one other question concerning the trust fund which might be considered supplementary. I understand that the 1959 advisory council recommended that the investment of trust funds should be retained in federal government bonds, the same as had been done in the past. I wonder if you would care to comment on why none of this had been put into state bonds?

Mr. Myers: As you have indicated, ever since our system began, according to law these investments were required to be made in federal government bonds, or in investments guaranteed by the federal government. In practice we had never used the latter category, and all our investments had been in federal government obligations in one form or another, either special issues or public issues. Occasionally we have had questions as to why our funds were not invested elsewhere. I do not recall a suggestion ever having been made to put the money into state and municipal bonds, but rather to invest it in home mortgages or to put it into productive enterprise by buying stocks and bonds. Of course, when people make this suggestion it is quickly pointed out to them that we

might end up owning a great deal of the economy of the country, and then they have backed away from that suggestion.

But to my knowledge there has never been a suggestion of going into municipal and local government bond areas. Most of those bonds are highly desired by certain wealthy investors, because the income from them is exempt from federal income tax. I would personally take a position against any investment other than in government bonds, at least for the United States, and because of the great problems involved.

If we invested in private industry, it would mean control of a large segment of industry by the federal government. There would also be a problem that if we did this, and if we should decide that one company was not a very good investment, the word would get around and there might be a panic in the stock market in regard to that particular company. We would not want the federal government to be placed in the position of becoming a rating organization on the value or reliability of private investments.

As to going into a government type of investment, whether it be state or local bonds, or the bonds of some other country, I just would not see any reason to do this. Again we might run into a problem in the United States by being selective if we should say that the bonds of state "X" or of municipality "X" might be a good and sound investment, so let us buy them. That would be fine. But if we did not achieve equal distribution among all places we might get into trouble with congressmen from a particular area, so that it would seem to me to serve no real purpose as far as the trust fund is concerned.

The rate of interest on our state and municipal bonds is fairly low. We can get a much better rate of return on federal bonds which are now at about four per cent, whereas most municipals average about three and one third per cent. So there is just no reason to do it.

Mr. CANTELON: I asked you the question because a lot of this money is expected to go to the provinces for investment and I wondered if there was any advantage in putting the money into the hands of the state rather than leaving it in the hands of the federal government.

Mr. MYERS: I can see where this might be so in regard to some countries, such as some developing countries that I have visited. There was an advantage in those countries in investing funds in the economy which is projected. My view always was that expenditures for such purposes should not come directly from the social insurance fund but rather come indirectly through loans by the social insurance institution to such agencies as the economic development bank, or something of that sort.

Mr. BASFORD: Mr. Myers, it has been urged on this committee that we should build into the Canada pension plan, or into the universal old age security which we now have, some system of past retirement increase in benefits not related to the price index or wage index but rather related simply to the attainment of age. As they grow older they would receive more money. That is not in your system, but I wonder if any of your advisory committees have considered this for social security, and what their considerations have been?

Mr. MYERS: I do not believe that any of our advisory councils have ever considered this idea, nor do I know of any other active consideration of it in the United States.

Mr. BASFORD: I was wondering if you think the idea has any merit.

Mr. MYERS: This, of course, depends upon the particular circumstances of the country, the income and assets of the people, considered by age. Also, I think you have to take into account the material needs of the people as their

age increases. There are many factors involved, including what provision there is from a governmental standpoint for medical benefits. Medical costs rise with age, and countries which have medical care provisions would have a different situation in respect to graduated benefits with age than countries which do not have such provisions.

Mr. BASFORD: Do you feel that as citizens grow older they should receive more social security by reason of their age?

Mr. MYERS: I would not say solely because of their age. Consideration would need to be given to the income position as age advanced and whether their needs decreased or increased as age advanced. I have not made any studies of this and I do not know of any studies that have been made; but I would think they would have to be made before such a proposal would be put into effect.

Mr. CHATTERTON: In general terms, are people in the low income brackets throughout their life in a poorer position to provide for their post retirement pay? Let me put it in this way: Is a lesser percentage of their income allocated for retirement purposes?

Mr. MYERS: I would think so, and it is for this reason that we have what we call a weighted benefit formula. The lower-earnings people get a relatively higher proportion of their pay as a retirement benefit. Of course, I appreciate that under your proposal this same sort of thing would result to some extent because you have a flat benefit plus an earnings related benefit. It is a matter of two different ways of achieving the same general result of putting weighting into the computations.

Mr. KNOWLES: The $600 deduction also has that effect?

Mr. MYERS: Yes, that is true.

Mr. LLOYD: It identifies the principle only.

Mr. AIKEN: I wonder if Mr. Myers could tell us what is the percentage cost of the administration of the fund.

Mr. MYERS: At present the cost of administration—and this is the complete cost including collecting taxes, paying benefit cheques and keeping records—is running at about 2¼ per cent of both contributions and benefit payments. At the moment, contributions and benefit payments are closely in balance.

The CHAIRMAN (*Mr. Cameron*): I think we have had a wonderful afternoon. I think, Mr. Myers, we must thank you very sincerely.

Mr. GRAY: There is just one question I would like to ask Mr. Myers. I would like to know how this compares with testifying before a congressional committee.

Mr. MYERS: I will avoid that question by saying that it has its similarities and also it has its differences.

Mr. KNOWLES: Civil servants are the same on both sides of the border, too.

The CHAIRMAN (*Mr. Cameron*): If I may sum up in a few words, you have been wonderfully generous, Mr. Myers, and the information you have given has been of tremendous advantage to us. We thank you very sincerely for your courtesy in coming, and we hope you have enjoyed as much as we have your presence here this afternoon.

It is now 5.15. We will meet tonight at eight o'clock, when the Retail Council brief will be presented.

EVENING SITTING

THURSDAY, January 14, 1965.

The CHAIRMAN (*Mr. Cameron*): Mrs. Fergusson and gentlemen, it is just a few minutes after 8 o'clock; I see a quorum so I think we should get started.

I have been handed a submission on behalf of the Retail Council of Canada in respect of a couple of errors in their brief; if you want to take a note of these corrections you may do so at this time. At page 8, paragraph 25 (b), line four, delete the word "both". At the same page and paragraph, line 6, insert period after the word "plan"; delete the words "because of the merits of this method of financing."

Mr. KNOWLES: And, does not the word "and" come out as well?

The CHAIRMAN (*Mr. Cameron*): They do not say but if, grammatically, it should come out, take it out.

Mr. LLOYD: It is left dangling, if you do not.

Mr. A. J. MCKICHAN (*General Manager, Retail Council of Canada*): Mr. Chairman, it comes out.

The CHAIRMAN (*Mr. Cameron*): Mr. McKichan is the general manager of the Retail Council of Canada. He is a very well known Canadian, of course, and he is head of a most important organization. Mr. McKichan will be the main spokesman for the Retail Council of Canada, and he will introduce the other members who are here with him. These other members will also be prepared to support him and answer any questions that members of the committee may wish to ask.

Mr. MCKICHAN: Thank you, Mr. Chairman. On my immediate right, sir, is Mr. E. C. Went, vice president of Dominion Stores Limited, Mr. Went is chairman of the council's employee relations committee. On Mr. Went's right and behind the table is Mr. R. H. Hyndman, president of Charles Ogilvy of Ottawa. Mr. Hyndman is a director of the Retail Council of Canada and also a member of the executive committee of the board. On Mr. Hyndman's right is Mr. Lawrence Freiman, who is president of A. J. Freiman Limited, Ottawa. Mr. Freiman also is a director of the Retail Council of Canada.

Mr. Chairman, I have a short statement and if it is the wish of the committee I would be happy to read it.

The CHAIRMAN (*Mr. Cameron*): I wish you would.

Mr. MCKICHAN: Hon. Senators and gentlemen:

> The council feels privileged to appear before this committee today. The Canada pension plan is one of the most important schemes of social welfare which has ever been proposed in this country. Because the trade in which our members are engaged is so heavily labour intensive, all programmes affecting employee welfare and/or calling for employer contributions are of particular significance. The council, of course, is also concerned regarding the impact of the scheme on the national economy.
>
> In our submission, we state that the council is in favour of the concept of a uniform, contributory pension plan providing benefits to retired persons, widows and disabled persons. The council does, however, query whether sufficient study has been undertaken on the ability of the national economy to support this plan and in addition, the other desirable social welfare projects which have recently been proposed. The council has particularly in mind the recommendation of the royal commission on health services regarding the introduction of a national comprehensive health plan. It is the council's recommendation that introduction of the plan should wait upon a determination of priorities

and a close review of whether the national economy can afford a plan of this magnitude at this time. The other major points we make in our submission are:

1. That it would be most unfortunate if the province of Ontario were to withdraw from the Canada pension plan. The council believes that the hesitancy of this province is induced because it will have only partial control over that part of the fund representing the contributions originating in Ontario. It is suggested that reversion to a minimally funded plan might ensure Ontario participation. The more separate plans which are introduced, the greater will be the overhead cost and the larger will be the burden placed upon interprovincial employers;
2. That possibly there is too great a disparity between the level of benefits proposed under the Canada pension plan and the level of benefits available to beneficiaries under old age security.
3. That every possible step should be taken to reduce the clerical burden on employers. The council suggests, for instance, that contributions on behalf of employers be made initially on an estimated basis with final determination being deferred until after the end of the year. The council also suggests that in the evolution of collecting and reporting procedures, the government consult frequently with trade groups.
4. That the federal and where appropriate, the provincial governments use their influence to ensure that employers are not prevented from integrating existing pension arrangements with the Canada pension plan because of employee pressures.

All of which is respectfully submitted.

The CHAIRMAN (*Mr. Cameron*): Mr. McKichan have you any particular recommendations you want to make on some of these matters which you have mentioned?

Mr. MCKICHAN: Mr. Chairman, I did mention what we considered to be the most important parts of our submission within that statement. We will be happy to elaborate on any specific point upon which the committee wishes further information.

The CHAIRMAN (*Mr. Cameron*): The meeting is now open for questions.

Mr. AIKEN: Mr. McKichan, you commented upon employers deductions and I believe this is the first time we have heard this particular suggestion with regard to that. Would it be your thought that the employer would remit just once a year on the estimated deductions and then at the end of the year within his own organization readjust the accounts and remit the balance. Is this your thought behind the employer's remittances?

Mr. MCKICHAN: Mr. Chairman, we did not make an exact determination of what the actual mechanics would be but we were concerned that at the moment there is no provision for excess employer contributions being returned to the employer. A system could be worked out in which there was only one, or perhaps more frequent contributions. If these could be made on a remitted basis, and if at the end of the year an exact determination should be made from the employee's return, perhaps at this time a reckoning could be made with the employer and he would be paid back or have to pay more, as the case may be, as a result of his obligation. We had in mind that a system similar to that used for income tax returns, with the T-4 slips, could be used. Perhaps it would be necessary to make the employer contributions more frequently than once a year; it may be done on a quarterly basis or even on a monthly basis.

Mr. AIKEN: Would it actually relieve you of any book work? I assume you still would have to take the deductions off every employee's pay. Would that not be the idea?

Mr. MCKICHAN: Our concern was twofold. First of all, we felt it is unreasonable that an employer should not be able to get back that portion of his overpayments. This would be particularly important in a retail industry where, traditionally, there is a high turnover in employees and where there are a great many part time employees who may not, in fact, at the end of the year become eligible for the plan, with the result that record keeping for an exact determination within a year would be very difficult.

Mr. AIKEN: I have one other question and it is purely a question of interest. Have you any connection whatever with the Retail Merchants Association.

Mr. MCKICHAN: This is a parallel organization; on many matters we co-operate and on others we agree to differ.

The CHAIRMAN (*Mr. Cameron*): Have you a question, Mr. Lloyd.

Mr. LLOYD: You have made a reference in your summary to the matter of priorities between the comprehensive health plan and the Canada pension plan. Are you taking any position of priority on this matter? You are not putting a priority on the health plan over the Canada pension plan, are you?

Mr. MCKICHAN: No, that was not our intention.

Mr. LLOYD: I just wanted to emphasize the fact that you are fearful of both plans coming at once.

Mr. MCKICHAN: We are fearful of both being introduced at once because, together, they may prove more than the economy conveniently can stand.

Mr. LLOYD: Then you mentioned the matter which Mr. Aiken referred to. I presume that you know our difficulty in this respect. This would apply particularly to your type of operation, where, according to your brief, you have a large number of employees and a large turnover among them, and the deductions have to be made as you go along, and remittances made. But, the difficulty is sorting out which employer the refund should be made to and in what proportion. You mentioned that perhaps the same kind of thing as is done in respect of the Income Tax Act might be helpful, but there you have an entirely different purpose being served. Do you think that your system would work under the provisions of this plan, or do you have any other step by step procedure that might be an improvement on what is proposed?

Mr. MCKICHAN: It was our belief, sir, that there would be a record maintained of the individual contributions of every employee, and that part of this record would be a note from the employers for whom that employee worked. With these two pieces of information we thought it would not be an impossible task at the end of the year to determine to which employers a refund should be made in respect of each employee.

Mr. LLOYD: Are you concerned with the factor of cost which might fall on you because there are no refunds? Is it the cost factor that concerns you or is it the administrative work?

Mr. MCKICHAN: There were two problems: There was the cost of the extra contribution, then there was also the cost of an exact determination of the employer's liability during the course of the year.

Mr. LLOYD: You mentioned some concern about having the fund under this plan and you suggested that the hesitation of the province of Ontario in participating in the federal plan may arise from the fact that they only have partial control over a substantial part of the accumulated contributions in the fund. What do you mean by partial control? What would you consider would be full control?

Mr. McKichan: I consider full control if Ontario operated the scheme, a scheme in which the federal government did not participate.

Mr. Lloyd: Assume they would want to co-ordinate their plan with other possible provincial plans, and that others opted out as well, it would certainly be reasonable to conclude the provincial governments would want to co-ordinate their contribution scales and their benefit scales in order to meet this great challenge of portability. Assume that this is so, then would the volume of funds which they would generate be different from that of the Canada pension plan?

Mr. McKichan: I imagine, sir, that first and perhaps most important is the fact that the investment policies of the federal scheme on the one hand and a provincial scheme on the other could be significantly different.

Mr. Lloyd: May I put my question this way. Are we in agreement in our understanding of the plan? As I understand it, the funds available for investment are offered first to the provinces in proportion to the funds obtained from each province, and in this respect the funds are available to the provinces for investment by putting its debentures into the fund. Does that not meet your criticism substantially?

Mr. McKichan: We had this in mind, sir. It was our thought that because the control or the participation of the province of Ontario in determining the future conduct of this scheme is one which it shares with all the other provinces and with the federal government, it might, for this reason, feel it was more remote that it would be were it in greater control of the fund itself.

Mr. Lloyd: That would be more of a psychological condition than a real one, would it not?

Mr. McKichan: It is perhaps a psychological condition but one which would influence perhaps the people of Ontario and through them the government.

Mr. Lloyd: There might be other reasons, which we would not want to discuss here, why political strategies might be involved in the question, but when you get down to dollars and cents the contributions levied for the purpose of this fund would come into the hands of the Canada pension fund. In proportion to those contributions each province receives the opportunity to use them for investment purposes, so there is no real advantage.

Mr. McKichan: We had one other consideration in mind. We understand that reciprocity provisions are contemplated between the Canadian fund on the one hand and the United States fund on the other where both the funding arrangements, the contributions arrangements and the benefit arrangements are all different. Conceivably, if this can be contemplated between the United States and the Canada plans, reciprocity could also be worked out between the provincial plan and the federal plan even though there were substantial variations in policy between the plans.

Mr. Lloyd: So in essence you share our views, certainly you share my view, that every effort should be made to have one universal plan in Canada.

Mr. McKichan: We are of this opinion.

The Chairman (*Mr. Cameron*): Gentlemen, you have noticed this delegation of young, handsome ladies and young men who have just come in. I understand they come from Mr. Maurice Moreau's riding of York-Scarborough. They are here to look over and see what we are doing in connection with the Canada pension plan. May I tell you, boys and girls, that we are now dealing with a brief submitted by the Retail Council of Canada, and Mr. McKichan, their general manager, is their spokesman. We welcome you to our meeting and we hope that you will enjoy it. We also hope that you will get some benefit from it.

Mr. CANTELON: Mr. Chairman, Mr. McKichan, I am afraid Mr. Lloyd has pretty well exhausted the subject with which I wanted to deal. However, perhaps I might make one comment. This afternoon we listened to Mr. Myers discussing the United States plan. He said that the matter of adjustment between the pension plans was a comparatively simple thing, that all that had to be done was to make a financial calculation, and that this was a simple thing to do. I was wondering if you would agree with this.

Mr. MCKICHAN: I am not quite clear, sir, on what he was referring to. Was he referring to arranging reciprocity between the United States plan and the Canada pension plan?

Mr. CANTELON: No, he was not. He was referring to integrating private plans, but I felt that the principle would carry on to the discussion of provincial plans and the federal plan.

Mr. MCKICHAN: It is my understanding, sir, and I am not an actuary and I am by no means an expert on the subject, that integration can range from a fairly easy operation to an extremely complicated and difficult operation. Perhaps some of my colleagues would like to speak on that.

Mr. CANTELON: I was not implying that the benefits would be identical in both plans, they obviously might not be, but I was implying—and I think I am repeating what he said—that at least it can be done as far as the financial provisions are concerned by a mere calculation, so that one person can move to another plan readily enough by making some calculations.

Mr. MCKICHAN: I am not sufficiently expert on this subject to answer you. I know that so far as the integration of private plans with the federal plan is concerned, it would in some instances present very serious difficulty.

Mr. CANTELON: That is my opinion also but I wanted to know what you thought about it.

In your brief, at the top of page 5, you say that the maximum combined pension plan and old age security monthly provision for a married couple aged over 70 contemplated under existing legislation in Canada is $254. You also said the similar provision in the United States amounts to $190. I would gather from this—perhaps I am wrong but again I would like your opinion—you feel this is a rather high figure for Canada in relation to the income of the Canadian society today and to our ability to bear the load.

Mr. MCKICHAN: This was our intention in inserting these two figures. I might mention that we are aware that we are perhaps comparing two unlikes because we are comparing the figure proposed for Canada 10 years or 11 years hence with the figure in the United States today. It is possible there may be an amelioration in the United States figure. Even so, keeping in view the fact that the Canadian economy is considerably less buoyant than the United States economy, it was our conclusion that perhaps the Canadian scheme erred on the side of generosity of benefits.

Mr. CANTELON: It might be worth mentioning here that the figures of the contributions in the United States today and what they expect them to be in a few years show a considerable upward trend.

I also notice that on page 7 you are concerned with the administrative difficulties with which you may be involved in the matter of overpayments. I am wondering if you know that the system that is being followed in the Canada pension plan was apparently modelled on the United States system.

Mr. MCKICHAN: I was not aware of that, sir.

Mr. KNOWLES: Mr. Chairman, I have one or two questions which I would like to address to Mr. McKichan. I notice that in paragraph 16 on page 5 of your brief you draw attention to the fact that certain disparities will arise

between, on the one hand, persons who have only old age security and, on the other hand, persons who have both old age security and a benefit from the Canada pension plan. You conclude that paragraph with this sentence:

> There would seem to be merit in adjusting benefit levels so that disparities become less pronounced.

I wish you had gone on. Which way do you propose to adjust benefit levels; would you propose to raise those of old age security or reduce those of the combined pension?

Mr. McKichan: We were inferring, at least in the first instance, that the levels proposed under the Canada pension plan should, perhaps, be reduced. Possibly at a later date the economy might be able to stand an increase in the other, but this would have to be determined in the light of economic conditions at the time.

Mr. Knowles: You realize that what you have in mind here would not obtain, to any marked extent, for 10 years.

Mr. McKichan: We appreciate that.

Mr. Knowles: So in effect the lessening of the so-called disparity is built into the operation of the plan and the disparity in eight or nine years will not be very much.

Mr. McKichan: The initial disparity will be small, but it will be increasing afterwards.

Mr. Knowles: You disappoint me. I had hoped you would say that the time had come to raise old age security.

The other question I would like to ask has to do with your comments on the integration of existing plans, as set out in paragraph 23 of your brief on pages 7 and 8. I want to choose my words very carefully, because there is something in here which I find does not go along with my thinking. However, I want to give you an opportunity to explain what you have in mind. You seem to be suggesting that federal and provincial governments should put some kind of pressure on unions when there are negotiations regarding integration. I know you would not be very happy if federal or provincial governments were to put pressure on employers in the same situation. I wonder whether you really mean this; I understand your concern about integration, but do you really mean it when you ask the federal and provincial governments to put this kind of pressure on unions?

Mr. McKichan: It is our feeling that the aim of the Canada pension plan is to provide a reasonable level of retirement benefit for all Canadians. In certain instances pension plans already are in existence which, in some cases, do provide adequate and in some very adequate levels of retirement benefit. It was our feeling that it would distort the purpose of the Canada pension plan if it simply were used as an instrument for increasing those benefits which already were adequate or partially used for this purpose. It was our feeling it would be a waste of our resources, to some extent, and that this was not the aim which the proponents of the Canada pension plan had in mind.

In our wording I do not think we used the word "pressure". I think we said the governments concerned might use their influence. This may be by persuasion or by pointing out the facts of the situation, or by various other means.

Mr. Knowles: I would like to say that I recognize the validity of your contention that where a group of employees, as a result of collective bargaining, has a particularly good pension plan there is something to be said for the employer not being asked to increase that at the expense of something else in the employer-employee relationship. My thought, and my only reason for raising the question, is that where there is collective bargaining this is one of the

purposes of negotiation—to obtain a pension plan, health plans, other fringe benefits, wages, hours, and so on. I would think you would like it better if all this were left to the free process of collective bargaining.

Mr. McKichan: Realistically we feel there are occasions where employers may have a pistol put to their head and then they have to accept a provision which they do not consider reasonable and which in fact may not be reasonable in the interests of national economy, and it is our hope that these situations would be minimized.

Mr. Knowles: It is also the hope of some of us that when this kind of integration takes place that if, because of the contributions under the Canada pension plan, there is a cut-back in benefits, that the cut-back in benefits will be only to the extent that the contribution would buy benefits under the private pension plan.

Mr. McKichan: I think this is a very reasonable position, sir.

Mr. Knowles: Good.

The Chairman (*Mr. Cameron*): Is that all for now, Mr. Knowles?

Mr. Knowles: Yes. I am sure Mr. McKichan and I understand each other on that point. We are emphasizing that dollar for dollar the money put into the Canada pension plan buys a better rate of benefit than is the case of most private plans and that if employers do not want to be taken advantage of on this point, I would hope that the employees would not be taken advantage of in the way suggested.

Mr. Basford: Mr. Chairman, relative to your earlier remarks, I might point out that Mr. Moreau is a very valued member of this committee, but because of the force of work he had to be absent this evening.

Mr. Knowles has asked some of the questions I wished to ask. I would be interested in hearing some comments from Mr. McKichan relative to the cost of this plan and whether or not the existing old age security payment should be increased. Would you agree that someone living on $75, $100 or $125 a month, received through his old age pension, is spending all of his money on food, which should please the Dominion Stores, and on clothing which should please Mr. Ogilvy, and every cent of this is used on consumer goods in retail outlets.

Mr. McKichan: Mr. Chairman, the report of the economic council, which was published only recently, I think had something quite appropriate to say in this area. I paraphrase the words, but they were generally to the effect that the most important item of social security is to ensure that the economy is buoyant, moving ahead, and so on. If social security payments are increased to the point where the welfare of the economy is endangered, then obviously the first prerequisite is not being ensured.

I do not feel briefed to argue whether or not the unions can withstand a higher payment for old age security; but certainly the most important thing to do is to study very closely the health of the economy and make a judgment in respect of whether or not it can withstand a higher payment. I should add the council has not considered the question of whether or not at this particular moment in time old age security payments should be raised.

Mr. Basford: I know it has not been considered, but what I am suggesting to you is that payments of old age security are really transfer payments; the economy is not losing any money that is being spent on it, and every cent spent by government on such payments is being spent or poured into the economy and to a great measure is being poured by old age security recipients into the retail council of Canada.

Mr. McKichan: If your question is, is the retail council in favour of the concept of old age security payments, the answer is yes. With regard to the

exact level at which this payment should be established, I would hesitate to give you a definitive answer. I doubt whether any of my colleagues would feel inclined to do so either.

Mr. KNOWLES: That chair on which you are sitting seems to be wired that way. We heard the same statement from the life insurance officers the other day.

Mr. MCKICHAN: I did not hear their evidence.

Mr. BASFORD: You are the first employers' group we have had before this committee I believe. Obviously some of your members have private pension plans and I take it these are group plans managed by insurance companies or sold to you by insurance companies.

Mr. MCKICHAN: I would say this would be the case in many instances, yes.

Mr. BASFORD: And you make an employer-employee contribution to these plans?

Mr. MCKICHAN: I would assume so, sir. I cannot speak specifically about any one member or indeed I cannot tell you what the situation within our membership is, because we have something like 90 members all of whom have different types of arrangements.

Mr. BASFORD: I am wondering whether, when the insurance companies made proposals to your member companies for the establishment of a pension plan calling for contributions from your members they informed you that this might impede that member's ability to compete?

Mr. MCKICHAN: I am sorry, but I wonder if you would mind repeating the last part of your question.

Mr. BASFORD: Obviously if you have a member who has a retail outlet, it is going to cost him money in order to establish a pension plan in his store.

Mr. MCKICHAN: That is correct.

Mr. BASFORD: I wonder if the insurance companies when selling you these plans told you that this would impair your members' ability to compete with other retail outlets?

Mr. MCKICHAN: I could not tell you whether they did or not. Perhaps some of the other members of our delegation can speak to it.

Mr. E. C. WENT (*Vice-President, Dominion Stores Limited*): It is not precisely a point which they would emphasize. However, I would think that any management taking on a pension plan would recognize that the cost of it would be a factor in his load, and that the companies which have pension plans have recognized the need for a pension plan as being the greater of the two.

Mr. BASFORD: If the existence of such a plan has not impaired their ability to compete?

Mr. WENT: No, I would not say that that follows.

Mr. BASFORD: You have carried on business, so obviously you have been able to compete.

Mr. WENT: Well, you can carry on business with your ability to do so impaired to a degree.

Mr. BASFORD: Thank you.

Mr. KNOWLES: I wonder if I might ask a supplementary question? I wonder if the delegation would have any statistics regarding the number of members covered; that is, those persons with retail outlets? You say in your brief that some 800,000 persons in Canada are directly engaged in the trade on a regular basis. And you say that at peak periods the labour force expands to over one million persons. Have you any statistics of how many of them are covered?

Mr. McKICHAN: No, I have not. In this figure of 800,000 only between 250,000 and 300,000 are actually employed by members of the retail council, while the others would be employed by non-members.

Mr. KNOWLES: Have you any figures concerning them?

Mr. McKICHAN: No, but it might be possible to develop some.

Mr. KNOWLES: You would have no notion of the percentage?

Mr. McKICHAN: I have no accurate knowledge of the percentage.

Mr. KNOWLES: If you do not have a great many integration problems, then you are not worried very seriously about it.

Mr. McKICHAN: I imagine that in the case of the members of the council most companies would have a pension plan.

Mr. KNOWLES: But retail outlets outside the council may not have them.

Mr. McKICHAN: I would hesitate to say.

Mr. MORISON: I wonder if the insurance companies in selling pension plans to you told you that the increase in cost might make it more difficult to compete? Did they suggest to you that the employee under a pension plan would not be troubled by financial problems in the future and thereby would be a better salesman and a better producer for you, and therefore you would profit thereby? In other words, would you agree that an employee under a pension plan was a better producer for you?

Mr. AIKEN: May I ask a further supplementary question along the same line? I wonder about the casual employees. You said there was a large number of casual employess within your own organization. Would you know in general whether these casual employees are covered by pension plans?

Mr. McKICHAN: I think the general rule is that temporary employees are not covered by pension plans, and that there usually is a waiting period of varying length in most group pension plans.

Mr. AIKEN: So with the pension plans which are now in existence they would be more or less permanent employees?

Mr. McKICHAN: That is correct, sir.

Mr. AIKEN: Would it be fair to ask you whether the pension plans now in payment are in general adequate, or whether the Canada pension plan payment should go on top without overprovision? Perhaps I might explain that by saying we have had it stated that in some employment, such as railway employment, the civil service, and various other forms, employees are said to be retired at almost 100 per cent of their final year's earnings, and others are said to be retired at very low or inadequate pensions. Could the ones in between in many cases afford to have the Canada pension plan placed on top of that for another 3.6 per cent without it being unreasonably high? Are you able to make any comment on it in general terms as to your members?

Mr. McKICHAN: I would assume that every company would consider its own pension plan to be adequate, otherwise it would do something about it. If it does not consider it adequate, then it must consider it to be all right at that particular point in time. I imagine that most employers would feel that the Canada pension plan should form the basis of their pensions, and that any additional rates should go on top of it, not as a duplication but as a supplement to it, if this is considered to be appropriate.

Mr. AIKEN: May I ask another question? With respect to employee's organization and in regard to your members generally, are your employees represented by unions?

Mr. McKICHAN: Some are, and some are not.

Mr. AIKEN: This depends, I presume, basically on the size of the organization?

Mr. McKICHAN: That would be one of the problems, yes.

Mr. AIKEN: Could you tell me if there is one union or more than one union which represents those who do come under it?

Mr. McKICHAN: There would be a considerable number of unions.

Mr. AIKEN: They would have application to each business, perhaps?

Mr. McKICHAN: There are different unions for various specialities, and different unions extending horizontally across the trade.

Mr. AIKEN: So in some cases you would have a union organization to negotiate with in connection with the Canada pension plans and in other cases you would not.

Mr. McKICHAN: That is correct.

Mr. AIKEN: Have you given any thought to the approach to the two different types of organizations, the unionized and the non-unionized?

Mr. McKICHAN: This is a situation in which the council as a council would not be involved because the circumstances of our members are so different, and each of our members would make his own decision which would be appropriate, and carry out his own bargaining with these people.

Mr. AIKEN: The reason I follow this line of argument is that it has been stated on various occasions that some types of business, in which there are not a large number of employees, are going to consider that they might just as well be in and get it, because all they have to do is to add it to the cost of the goods as a premium.

Mr. McKICHAN: This, sir, I think must be an individual decision for each company, and no doubt in making it they will be considering the welfare of their employees as well as their competitive position within the industry.

The CHAIRMAN (*Mr. Cameron*): I do not think that was a very good supplementary question.

Mr. AIKEN: I may consider keeping quiet for the rest of the evening.

Mrs. RIDEOUT: Might I ask Mr. McKichan to refer to page 7, paragraph 22, section (*a*). I wonder if the council could tell me what is meant by matching overpayment of employers? Is the council aware that when an employer pays more than $79.20 for an employee in a year, he may claim a refund?

Mr. McKICHAN: Our concern was for cases where the employee at the end of the day is found not to be eligible to make contributions, and that the employer has already made contributions in respect of that employee. It is our understanding that at this point nothing can be done under the present arrangement about the employer's position. It is understood that arrangements may be made for a refund for the employee in such a situation.

Mr. CHATTERTON: Does that also apply in the case where the employee changes his employment, and the employer has paid his contribution for the first employee and then has to pay his contribution for the second employee? Does that apply also?

Mr. McKICHAN: I am not quite sure that I follow you.

Mr. CHATTERTON: As I understand it, if an employee leaves, let us say, after five months, and the employer has paid the employee's share as well as the employer's share, and then another employee comes along and takes the place of the first employee, the employer has to pay over again without getting a refund. Does that apply to that also?

Mr. McKICHAN: No, we were not taking exception to contributions being made, even though the employee changes employment in the middle of the year. We were concerned with cases where an overpayment was made simply because the employee did not fall into an eligible group.

Mr. CHATTERTON: You are not concerned with the employer having to pay for two employees in the same year and not getting a refund?

Mr. MCKICHAN: If the contributions are made only in respect of the period for which the employee is working for the employer then we are not concerned, but my understanding was that this was not the intention of the scheme. If the employer has to make a payment for part of the time during which he was no working for the employer, then I would consider this would be unfair and that the employer should be refunded that part of the contribution.

Mr. CHATTERTON: I want to clarify this point. As I understand it, the employer could pay for the employer's full share of the liability for, say, five months for that employee. That employee leaves and another employee takes his place, and the employer again pays his share. That employer gets no refund by having paid twice for that position.

The CHAIRMAN (*Mr. Cameron*): Is Mr. McKichan's position not that if they pay tax for an employee then they want to get it back, period? They do not think it is fair that that should stay in the fund and not be refunded to them. I do not think Mr. McKichan is giving evidence as a departmental official on how it is to be done.

Mr. CHATTERTON: I am trying to find out how it is going to affect the small merchant.

The CHAIRMAN (*Mr. Cameron*): He just wants his money back.

Mr. MCKICHAN: We certainly do not want to pay twice for one amount of work, but we are not objecting to paying for time worked by an employee whether it is employee A or employee B.

Mr. KNOWLES: The only case in which you are asking for it back is when the employee has got it back.

Mrs. RIDEOUT: I wonder, Mr. McKichan, if you have noticed clauses 8 and 9 in the bill which provide that if the employee earns less than $600 he is exempted from any contribution, and the employer is refunded if he has made deductions. So in effect that would answer your argument there.

Mr. MCKICHAN: It was our understanding, Mr. Chairman, that a situation will frequently arise in which an employee is earning at a rate greater than $600 per annum and he may move to another position where he is being paid less than this, or he may discontinue work later in the year. In this event, it was my understanding that no provision was made for refund to employer after the event.

Mrs. RIDEOUT: It is my understanding that the employer is liable to contribute for all employees earning over $50 a month for whom the employer has not yet paid $79.20 during the year.

The CHAIRMAN (*Mr. Cameron*): We have Mr. Sheppard here and he may be able to answer you, Mrs. Rideout, and Mr. McKichan at the same time.

Would you care to enter this debate at this time, Mr. Sheppard, and explain how the bill proposes to deal with this matter?

Mr. Sheppard is the deputy minister of national revenue, and he is in charge of collections.

Mr. D. H. SHEPPARD (*Assistant Deputy Minister, Department of National Revenue, Taxation Division*): Let us assume that all the employees are working on a monthly basis. The plan under which the contributions are made is that from the wages paid to such an employee in a particular pay period you deduct $50 for that month, and then a contribution is made on the remainder at 1.8 per cent for the employee contribution and another 1.8 per cent for the employer contribution.

If there is any error in the calculation of the employee's contribution or the employer's contribution they are both refundable.

It is true that at the end of the year you aggregate all the employee's contributions together for the whole year, deduct the $600 exemption and then see whether or not there is an overpayment. In those circumstances, he might be entitled to a refund but the employer would not. The amounts involved for the employee earning less than $5,000 a year are only those amounts that relate to the portion of the exemption which was not claimed. If he worked six months it would be 1.8 per cent of $300, which is $5.40.

I do not know whether that is the point you were worrying about or not.

Mr. McKichan: No, our concern, sir, was where at the end of the year it was found that the employee had not earned $600 and so was not liable to contribute at all.

Mr. Sheppard: If for example he had made $500 in the year over two months, then the employee would receive a refund of his whole contribution, but the employer would not.

Mr. McKichan: This was our concern.

Mr. Sheppard: The amounts involved in that case are 1.8 per cent of $400, which is $7.20.

Mr. Lloyd: May I ask a supplementary question on this point?

The Chairman (*Mr. Cameron*): If Mrs. Rideout will give you permission.

Mrs. Rideout: I am delighted to do so.

Mr. Lloyd: Mr. Sheppard, Mr. McKichan referred to the Income Tax Act under which you can adjust the tax liability at the end of the year if there has been variation in the earnings. Very often the salary of an individual working for one employer for the full year will result in an adjustment of the tax liability. It may be deducted at a higher rate, and then he transfers somewhere else or he works for the same employer until the end of the year for a lower rate for some reason—maybe he has not the same number of hours' work. In that case, the only thing with which you are concerned is the individual's tax liability for the income tax department. It does not involve the employer in any way, shape or form, does it, in the case of income tax?

When we come to the Canada pension plan, let us assume an employee who works for a full year for the employer and does not go to any other employment, that is his only employer, it would be only in the cases where he had received a reduction in salary that there would be any refund question arising, would it not?

Mr. Sheppard: If he only worked for one employer there could be no occasion when he had overpaid unless he did not work every month in the year, and then the amount of the refund would be related to 1.8 per cent of the part of the $600 exemption not obtained.

Mr. Lloyd: To the employee?

Mr. Sheppard: That is right.

Mr. Lloyd: There is no provision for a refund in the event of the circumstance which you have described? He works at a high rate for part of the year for one employer and then he lays off for a couple of months and does not work for anyone else but comes back and works for the remainder of the year, and while he is entitled to a refund he has only worked for the one employer and there is no refund for the one employer?

Mr. Sheppard: That is right because, as far as the employer knows, he may have worked for someone else and claimed his full exemption.

Mr. Aiken: May I ask one supplementary question?

What is the justification, Mr. Sheppard, for not refunding the employer's share in a situation like this? Is it a tax on doing business or too much paper work? Why is the employee's share refunded and not the employer's share?

Mr. SHEPPARD: The reason there is no provision made for a refund to the employer is that, so far as the employee's contribution is concerned, you would have to aggregate all his contributions for the year from all employers, and you cannot really relate the overpayment that the employee might have to a variety of different employers. To be able to apportion the refund between the employers you would have to tell the employer what this employee made from another employer, and that would not be desirable for many reasons; and the amounts involved are not great.

The CHAIRMAN (*Mr. Cameron*): Let us get back to Mrs. Rideout's questioning.

Mrs. RIDEOUT: I have completed my questioning, Mr. Chairman.

Mr. CÔTÉ (*Longueuil*): You seem to be very concerned that the province of Ontario might opt out of the plan. One of the reasons you give for this is that they want full control of the fund, or that they might want a bigger share or the whole of the fund.

On page 8 of your brief in paragraph 25(*b*) you say:

> The council would favour a substantial reduction in the size of the fund contemplated under the plan because this action would seem likely to encourage the participation of the province of Ontario in the Canada pension plan.

How do you reconcile that?

Mr. MCKICHAN: Sir, we felt that the main reason the province of Ontario wished to establish or might wish to establish a separate fund was because of the existence of the fund under the Canada plan in which it would only have an indirect control. For reasons of prestige, if you like, or of various political feelings, it might wish to be able to say that it had complete control both of the fund and of the conduct of the plan itself. We felt a means of reducing the anxiety which the province of Ontario might feel would be to revert to a minimally funded or small funded plan.

Mr. CÔTÉ (*Longueuil*): Mr. McKichan, in paragraph 5 on page 2 you say:

> By 1985, the plan will require to be collecting contributions at the rate of between 4 per cent and 4.8 per cent of earnings to remain on a "pay as you go" basis.

How could we reduce it at the present time so that we will not have to make it a "pay as you go" basis?

Mr. MCKICHAN: It is my understanding that the reverse to a minimal funded plan would involve heavier contributions at the mid point of this period, and the council was prepared to contemplate this if this was the price for securing the participation of the province of Ontario.

Mr. CÔTÉ (*Longueuil*): One of the main reasons for Quebec opting out of this plan is that the ratio of old age persons in the province of Quebec is one of the lowest in the country and, because of that, they will not have to pay benefits as long as the other provinces. Also, the fund will be bigger for a longer time. The ratio of the old age persons in the province of Ontario is one of the highest in the country and their fund would be exhausted very much earlier than that of the province of Quebec.

Mr. MCKICHAN: In making this suggestion, sir, we realize there probably would be certain difficulties in arranging for reciprocity between the Quebec fund and the Canada fund but we did hope this would not be insupportable. We were encouraged in this belief by the statement of the minister when she said possible arrangements for reciprocity could be worked out with the United States funds.

Mr. Côté (*Longueuil*): Do you think the province of Ontario would receive more by staying in the federal plan than embarking on their own plan?

Mr. McKichan: I think it would be self-evident that the cost of administration would be lower if the province of Ontario stayed within the federal plan. I do not feel competent to give an opinion as to the merits or the demerits from the economic point of view of the province of Ontario in respect of staying within the federal plan or remaining outside of it.

The Chairman (*Mr. Cameron*): Have you a question Mr. Basford?

Mr. Basford: Is the council prepared to make representations to the province of Ontario to stay within the Canada pension plan?

The Chairman (*Mr. Cameron*): I do not think that is a good supplementary question, however interesting it may be.

Mr. Basford: I think it is a perfectly good supplementary question.

The Chairman (*Mr. Cameron*): Well, if the witness wishes to answer it, it is up to him, but I do not think he should.

Mr. McKichan: The short answer is that as a council we have not made a decision in that regard.

Mr. Basford: Well, judging from the opinions expressed in your brief I would assume that the council is prepared to make that decision.

The Chairman (*Mr. Cameron*): Would you proceed, Mr. Munro.

Mr. Munro: On page 2, paragraph 5 of your brief you state:

> By 1985, the plan will require to be collecting contributions at the rate of between 4 per cent and 4.8 per cent of earnings to remain on a "pay as you go" basis. Increased contributions would be required if the fund is to be used to produce further moneys for provincial investment.

I wonder if retail interests were aware that in this actuarial report that you were quoting from it was indicated that by 1985 the incoming moneys from contributions would be matching outgoing benefits, which would result in the setting of that rate of between 4 per cent and 4.8 per cent. I wonder if there were not any figures shown in the actuarial report which pointed out this example of the interest on the fund that would be built up. And, I wonder if you are aware that it may not be necessary to actually charge this 4 per cent or 4.8 per cent. This would be only a calculation, if you do not take into account the interest on the fund that is built up, which you earlier referred to in your report.

Mr. McKichan: I was not aware of that particular provision of the report, but I am interested to learn it, sir.

Mr. Munro: I would like to refer to another paragraph in your report. In paragraph 15 you are comparing the Canadian system with the American system, and you say:

> A comparison of particular significance is that between the level of benefits now proposed in Canada and those available in the United States under that country's social security program. the maximum combined pension plan and old age security monthly provision for a married couple aged over 70 contemplated under existing legislation in Canada in $254. The similar provision in the United States amounts to $190.

I wonder if the council is aware that in the example you have used here the United States system pays their benefits much earlier than we do, and a couple aged 65, under your particular example, in Canada would not get

the benefits you referred to until 1976, and at age 65 would not get $254 but $206.

Mr. McKichan: I brought out the fact that this was a projected figure some 10 or 11 years hence, in answer to a previous questioner. We were aware of this fact.

Mr. Munro: You would agree the comparison should be $190 to $206? Would that be fair, rather than $254?

Mr. McKichan: The figure is $206 for 19—

Mr. Munro: 1976 in Canada on a comparable basis to the example you quoted here.

Mr. McKichan: For a couple aged 65?

Mr. Munro: Yes.

Mr. McKichan: Yes, I will acknowledge that, sir.

Mr. Munro: The other thing I was going to ask you is this. You indicated some concern earlier about whether the economy could take care of the contribution rate, and you felt that there is some concern on the part of the retail council in this regard, and that it was very important to worry about a buoyant economy and increased purchasing power in the hands of aged people. That is what I took from your remarks to be your concern.

Mr. McKichan: I mentioned the council shared the view that has been expressed recently by the economic council in its first report, that the most important social security scheme of all perhaps is an assurance of a buoyant and healthy economy, yes.

Mr. Munro: In our system our contribution rate is 3.6 per cent. We had Mr. Myers here this afternoon and he indicated the present contribution rate under the United States system, which you have compared to ours in paragraph 15, is 9 per cent. Have you any comment in this connection?

Mr. McKichan: I think perhaps it is significant that United States income runs somewhat in the region of 30 per cent higher than Canadian average income and that this extra 30 per cent, I suppose, must be considered as extra disposable income, so the disparity in the varying contribution rates is probably less significant than one might think at first glance. I would think that an economy stronger by 30 per cent would be in a very much better position to pay a very substantially higher contribution than that now being contemplated in Canada.

Mr. Munro: The contribution rate would be substantially higher than 30 per cent on the basis of 9 per cent versus 3.6 per cent.

Mr. McKichan: I am not suggesting the distinction be limited to 30 per cent; I am saying because the 30 per cent consists of disposable income the contribution perhaps could be 20 per cent and there still might be good grounds for it with an economy of that strength.

Mr. Knowles: I wonder if Mr. Munro, in all fairness, would not admit that if we are going to compare like with like we have to remember we have taxes for old age security in this country that should be added to the 3.6 per cent, when we are comparing Canadian benefits with American benefits.

Mr. McKichan: Thank you.

Mr. Knowles: I just wanted to be fair about this.

Mr. Munro: Someone else is on the same wave length.

I will now refer you to paragraphs 5 and 6.

Mr. Basford: A typical N.D.P. position, all things to all men.

Mr. Knowles: It is just a matter of being fair, and that is all.

Mr. MUNRO: I am referring to the last sentence of paragraph 5 in your report, which reads as follows:

> By 1985, the plan will require to be collecting contributions at the rate of between 4 per cent and 4.8 per cent of earnings to remain on a "pay as you go" basis. Increased contributions would be required if the fund is to be used to produce further moneys for provincial investment.

Then, in paragraph 6, you say:

> As originally conceived, the plan was to have a fund of only modest proportions. An amendment to the original plan had the effect of substantially increasing the size of the fund.

The two sentences do not seem to be reconcilable. It seems to me that in one you are indicating a concern that these contributions will be required within 20 or 30 years—according to what is said here in 1985—and in the other you are worried about the fund being too large.

Mr. MCKICHAN: In this first sentence beginning "increased contributions" etc. we were not suggesting that this be done; we were simply stating what we conceived the position to be if it were desired to produce further moneys for provincial investment. We did not suggest that that would be a desirable course necessarily.

Mr. MUNRO: Are you concerned with the size of the fund under the Canada pension plan?

Mr. MCKICHAN: We were primarily concerned about it because we believe it is the size of the fund which is causing Ontario to have doubts on whether or not it should participate in the Canada pension plan.

Mr. MUNRO: On page 8 of your brief you say:

> In situations where a union adopted an inflexible attitude, the Canada pension plan would simply become an additional and expensive fringe benefit for which there could be no social justification.

I suppose that sentence to be fair. I realize it relates to your earlier contention that where private pension plans are in existence unions may not be agreeable to any integration but would rather want the private pension plan to be on top of the Canada pension plan.

Mr. MCKICHAN: This was our point, sir.

Mr. MUNRO: I suppose you are further concerned that they may not want any increased contribution as the result of one being placed on top of the other. Is that so?

Mr. MCKICHAN: This is one of our concerns, but we are also concerned that they would require a higher absolute or total contribution from employers.

Mr. MUNRO: In other words, they would want the employer to make his contribution under both plans.

Mr. MCKICHAN: Yes, sir.

Mr. MUNRO: I suppose that this concern that you have shown here would depend on the calibre of the private plan that was in existence and on its generosity with respect to the benefits concerned.

Mr. MCKICHAN: This of course would be a matter of degree, but one assumes that the level of the present plan, if it is a negotiated plan, is a level which the company feels it can afford. If an additional contribution is to be made to the Canada pension plan on top of this, then it would seem you are getting to the point where you have exceeded the company's likely ability to pay.

Mr. MUNRO: I believe you might have been asked this question earlier, but as far as the retail council is concerned do you have any figures—not precise figures but rough figures—of what would be the average wage of the employees hired by your members?

Mr. MCKICHAN: Published figures are available. I do not have with me the latest figure but I would be very willing to supply that.

Mr. MUNRO: Do you have an approximate idea of the average figure?

Mr. MCKICHAN: The average estimate for male employees is about $70 per week for the industry as a whole. This takes in regional variations, but I would be very happy to provide you with the exact figures.

Mr. MUNRO: Seventy dollars a week would I think come to approximately $280 a month, approximately $3,500 a year. If that is the average I would think that that would take into account the high wage levels of the executives of the various firms concerned. Would they be included in that average?

Mr. MCKICHAN: No. This is the average labour income in the industry.

Mr. MUNRO: I am not so sure whether this question has been asked, but you had no precise figures on the number of employees that were covered by private pension plans on the part of your members, did you?

Mr. MCKICHAN: No, sir.

Mr. MUNRO: Could you give me a rough estimate without giving me the precise figures?

Mr. MCKICHAN: The number of employees employed by our members is somewhere between 250,000 and 300,000. I would think the great majority of these employees would be covered, perhaps over 80 per cent would be covered. This is a figure I am pulling out of thin air but I know most of our members do have pension plans.

Mr. MUNRO: I was always more or less under the impression that somebody earning $3,500 a year, which would be the rough yearly figure of the average income of employees of your members who would be participating in the private pension plans, of necessity could not provide very rich benefits because I would think that with a wage of somewhere around $70 a week they could not afford to pay a very high contribution rate. Would you agree with that?

Mr. MCKICHAN: I would assume that the pensions presently enjoyed under the present pension plans are fairly modest in scope.

Mr. MUNRO: When you say modest could you translate that into an approximate dollar figure?

Mr. MCKICHAN: No, sir. I think the conditions of the plan are too varied for me to be able to give you a meaningful estimate.

Mr. MUNRO: Would it be fair to say that if they were modest, then there could be social justification for adding that particular private plan on top of the Canada pension plan for an employee making $70 a week?

Mr. MCKICHAN: This depends on the ability of the company to pay, and if such an extension impaired the ability of the company to pay, then obviously this would be an undesirable event.

Mr. MUNRO: I think you did indicate earlier that the companies who would have private pension plans would be the larger companies with the larger number of employees.

Mr. MCKICHAN: Yes, sir, and of course when you mention the larger companies in the context of the membership of the retail council you account for the larger percentage of employees who are employed by our members.

Mr. MUNRO: But the larger companies certainly would not be the marginal retailers.

Mr. McKichan: No, sir.

Mr. Munro: Then there would not seem to be too much question as far as their ability to pay is concerned in the context of a modest pension plan.

Mr. McKichan: I would like to add that the figure I quoted you for an average retail wage level was an industry figure, not the figure paid by the members of this council. I think it would be fair to say the average wage paid by the members of this council would be very considerably above the industry average.

Hon. Mr. Smith (*Kamloops*): Mr. Chairman, earlier on I had a question to ask of Mr. McKichan, before we got to far away from paragraph 1. May I refer him to his statement in describing the council where he says:

> Its members perform some 30 per cent of the retail "store" business in Canada.

I presume that he means 30 per cent of the dollar value of the retail store business across Canada.

Mr. McKichan: Yes, sir.

Hon. Mr. Smith (*Kamloops*): No doubt we will have here delegations from other organizations who enjoy the other 70 per cent or some part of it. Having that in mind I wondered whether yours is more or less the major league in the retail business. Did you say your membership numbered 90?

Mr. McKichan: We have some 90 odd members.

Hon. Mr. Smith (*Kamloops*): I was wondering just how national your organization was in its interests. Do you draw your members from all the provinces?

Mr. McKichan: We have members in every province.

Hon. Mr. Smith (*Kamloops*): And you enjoy 30 per cent of the total retail business across the country. I suppose that is approximate. Would it vary much from province to province just as the interests of your members vary from province to province? How close would you come to enjoying 30 per cent of the retail business in each and every province?

Mr. McKichan: I think it is a fairly even distribution, but with perhaps more emphasis in the province of Ontario than in the other provinces. This is only a matter of degree. We have a fairly even spread of distribution.

Mr. Chatterton: Mr. Chairman, I am sorry I was a little late, the cold got hold of me, or rather of my car.

If my question has been answered, please excuse me. I am referring to paragraph 16 of your brief. You are concerned with the disparity in benefits between certain persons and others. We have figures presented to us to the effect that by 1965 some 76 per cent of retired people would benefit by the Canada pension plan. This is not quite borne out by the statement made in your paragraph 16. You indicate concern about disparity. Do you feel this disparity should be taken care by the Canada pension plan itself or by some subsequent legislation by parliament.

Mr. McKichan: It was our suggestion, sir, that because the Canada pension plan would offer a considerably larger benefit to those enjoying the full benefits under it and that because there would be a natural pressure to increase the old age security payment, which the government might not be able or might not feel inclined to resist, that because of this it would be realistic to set a somewhat lower level for the benefits under the Canada pension plan.

Mr. Chatterton: Lower benefits all around would reduce the disparity?

Mr. McKichan: Yes.

Mr. CHATTERTON: Would that include those already retired and that there should be some benefit to them by way of the Canada pension plan. Is that what you have in mind?

Mr. MCKICHAN: No, sir. It was our suggestion that the future benefits under the Canada pension plan be reduced in anticipation of having to pay a larger share of the national output into the old age pension fund because we feel that with the existence of the Canada pension plan there is bound to be some upward pressure on the old age security.

Mr. CHATTERTON: Are you suggesting, according to paragraph 16, that those who are already retired or who are close to retirement and who would not receive pensions under the Canada pension plan should be provided for under the Canada pension plan by way of contributions from earnings. Is that what you have in mind?

Mr. MCKICHAN: No, sir. We felt that almost certainly these people would in fact be helped by increases in the old age security provisions.

Mr. CHATTERTON: Do you mean by way of the index?

Mr. MCKICHAN: No sir; by a higher old age security provision. We were forecasting this; we did not advocate it.

Mr. CHATTERTON: You feel that is the way all those who are in trouble now or who will be should be helped?

Mr. MCKICHAN: We foresaw this as the way they would be helped. We felt, so that these increases in the old age security payments would not be too excessive, that the levels proposed under the Canada pension plan should be lowered so that there is a smaller gap to fill.

Mr. CHATTERTON: An evening out.

Mr. MCKICHAN: Yes sir.

Mr. MUNRO: May I ask a supplementary question. I appreciate your point about the levelling out, but are you also recommending any increase in the old age security pension?

Mr. MCKICHAN: We are not recommending it, sir. We can see there will be pressure for it. We do not feel competent to weigh whether or not the economy at this point can afford increases in the old age security payments.

Mr. MUNRO: So you are not prepared to say there should be an increase. Is that a fair way of putting it?

Mr. MCKICHAN: That is correct.

Mr. MUNRO: So, the manner in which you would sort of level this out would be to lower the benefits under the Canada pension plan?

Mr. MCKICHAN: Yes, sir.

Mr. CHATTERTON: You say lower the benefits: are you thinking of lowering the benefit to those who receive the most in the transition period; is that what you have in mind?

Mr. MCKICHAN: We have in mind both during the transition period and during the eventual top benefit.

Mr. CHATTERTON: Giving something to those who are retired now; is that what you have in mind?

Mr. MCKICHAN: We did not suggest it be given to the beneficiaries of old age security payment. We simply suggested that if the levels under the Canada pension plan were lowered, then the difference between the two would be lesser and that therefore it would be unlikely we would be spending as much on pensions for both categories, or both together, as we would if we left both plans as presently conceived.

Hon. Mr. DENIS: In your summary of conclusions on page 8, in paragraph (a) you say:

> The council approves the general concept of a uniform contributory pension plan, but it queries whether sufficient study as to the ability of the national economy to support this and other desirable social welfare projects.

And in paragraph (b) you say it would be most unfortunate if the province of Ontario did not participate. How do you reconcile the two? First of all you say we have insufficient study and, secondly, it is unfortunate that the province of Ontario would not participate.

Mr. MCKICHAN: Our first conclusion is that we think the people of Canada wish to have and probably should have a contributory pension plan, but we are somewhat concerned about the timing of its introduction. We are not sure whether it should be introduced now, two years hence, or three years hence, and we are not sure whether it should be introduced parallel with a national health scheme or with further expenditures, or what proportion of the gross national product should be devoted to any one of these schemes, and in what ratio the available money should be divided. We are suggesting that some system of priorities and some system of allocation of funds in general terms should be worked out.

Hon. Mr. DENIS: In this paragraph (a) you say we are not ready for that plan and, in (b), you say it would be most unfortunate if the province of Ontario would not participate.

Mr. MCKICHAN: We did not want to convey the attitude that we were not ready for it; we are saying we might be ready for it if this study decides this in fact is the case; but if this study decided we were ready for it, then we believe it would be desirable if the province of Ontario were to participate.

Hon. Mr. DENIS: In paragraph (c) you draw our attention to those who are contributing and those who are not contributing. You say there is a disparity between the level of pension to be received by the contributors under the plan when it is in full operation and a person solely dependant on old age security.

Mr. MCKICHAN: Yes, sir.

Hon. Mr. DENIS: We have heard many people here say that this is not a welfare piece of legislation. Would you say that this is a kind of welfare piece of legislation?

Mr. MCKICHAN: It was our feeling that there will not be a clear division between the source of the payments under the old age security plan and the source of the payments under the Canada pension plan and that inevitably there will be strong pressure from the group receiving payments only from the old age security plan to have those payments increased.

Hon. Mr. DENIS: But in paragraph (c) you admit that people who are not contributing will receive too much compared to those who are contributors.

Mr. MCKICHAN: No, sir; this is not our position.

Hon. Mr. DENIS: You say, a person solely dependant on old age security benefits. The old age security is a part of this piece of legislation, because it is a flat benefit plus so much if you contribute to the fund. So, would you not agree with me that this piece of legislation, so far as the flat benefit is concerned and in so far as those who are not pensionable will receive too much, according to your conclusions, is a kind of welfare plan in some ways.

Mr. MCKICHAN: We are suggesting that the total received by those who are in receipt of the full amount of the old age security plus the Canada pension

plan probably will be too great in comparison to those who are receiving only the old age security payment.

Hon. Mr. DENIS: Would you agree that this piece of legislation includes the old age security; I mean it is combined?

Mr. MCKICHAN: Your suggestion is that the two schemes be combined into one?

Hon. Mr. DENIS: Yes.

Mr. MCKICHAN: This is a suggestion on which the council did not take a firm view. I do not feel competent to advance an opinion on it.

Hon. Mr. DENIS: At the end of this paragraph (c) you say that the gap or the disparity should be lessened. To what extent?

Mr. MCKICHAN: This again is a matter of degree. I would hesitate to suggest the actual levels at which this should be set.

Hon. Mr. DENIS: But the matter of degree belongs to you, because you tell us it should be narrowed. I do not know to what extent.

Mr. MCKICHAN: I think it would require to be a matter of judgment and I would suggest it be narrowed to a point where it seemed unlikely there would be a strong pressure for a future increase in the old age security payment.

Hon. Mr. DENIS: Do you agree that those who are too poor to contribute are given too much compared to those who are contributing?

Mr. MCKICHAN: No, sir this was not our position.

Hon. Mr. DENIS: No, it is not your position, but it is my question.

Mr. MCKICHAN: Well—

Hon. Mr. DENIS: What I want to ask is whether you think this is a piece of legislation in which welfare, or social security is provided for poor people.

Mr. MCKICHAN: We believe in a certain amount of flat rate pension.

Hon. Mr. DENIS: You agree that there is a certain amount of flat rate in this legislation?

Mr. MCKICHAN: Yes, and we agree with the principle.

Hon. Mr. DENIS: You agree that those who are not contributing at all should receive $75 at the age of 70, without contributing anything?

Mr. MCKICHAN: Yes, and we endorse that principle.

Hon. Mr. DENIS: Does the United States plan have the same thing?

Mr. MCKICHAN: I understand that it is an entirely contributory plan. That was my understanding, but I am not sure about it.

Mr. CASHIN: In answer to Mr. Munro's question on the average income or wage of your employees, you estimated a figure of $70 a week. You are not sure whether or not this includes executives or management.

Mr. MCKICHAN: It is my belief that it does not include management.

Mr. CASHIN: So we are not really sure of the group it includes, whether or not it would include stenographers, for example.

Mr. MCKICHAN: Yes, sir.

Mr. CASHIN: It works out to $3,640 a year, and this is for the industry as a whole. You have acknowledged that there is a large number of people in the retail industry who earn, let us say, between $2,000 and $4,000 a year?

Mr. MCKICHAN: That is correct.

Mr. CASHIN: But you do not know how many of this group are now covered by pension plans. Did I recall your saying that the private pension plans were modest, but you do not know how many of the 800,000 employees you refer to are now covered by those private pension plans?

Mr. McKichan: No, sir.

Mr. Cashin: Would you say that the number was lower than one third?

Mr. McKichan: I would think this would probably be realistic, sir.

Mr. Cashin: Do you find that those in the low income groups who are covered by a contributory pension plan like the idea, and that this is something these people wanted themselves, and was not something forced on them?

Mr. McKichan: What is that, please?

Mr. Cashin: I refer to those of your employees who are now covered by pension plans. You think it was not something forced upon them?

Mr. McKichan: No, sir.

Mr. Cashin: You think this was something they wanted?

Mr. McKichan: Yes, sir.

Mr. Cashin: Do you feel that the majority of employees earning between $2,000 and $4,000 a year would want to be in a contributory pension plan?

Mr. McKichan: I would consider that they would, yes, sir.

Mr. Cashin: I am asking you these questions because I may ask the same questions of another gentleman, who has a different view of these things, when he comes before us. So I appreciate the answers. Does your council agree that the Canada pension plan will in the long run benefit the retail trade by extending the propensity to consume among a large element of the population?

Mr. McKichan: That is quite a difficult and involved question. One has to weigh the possible inflationary effects that increased spending power would probably bring about. But I think the general consensus of our members is that eventually the plan will increase sales, and to that extent it will enhance the prosperity of the industry, provided, of course, that the costs of the plan are not detrimental to the whole national economy.

Mr. Cashin: You have made a statement that the best social security is to have a healthy economy.

Mr. McKichan: We used words to that effect, yes.

Mr. Cashin: Would you agree that an economy or system which cannot afford adequate social security is not a good economy or a very healthy or prosperous system?

Mr. McKichan: This is somewhat like the question of which comes first, the chicken or the egg. I certainly think that an economy must be healthy in order to support a fairly elaborate social security plan, and I think that a fairly elaborate social security plan is probably desired by most of our population if we can afford it.

Mr. Cashin: That is all. Thank you.

Mr. Lloyd: I would like to go back to your quite proper concern about the impact of social measures on the economy of Canada. Have you had an opportunity to study the report of the finance department economists of the government to this committee?

Mr. McKichan: What is that?

Mr. Lloyd: Have you had an opportunity to examine an appraisal of the implications of this plan economically to Canada as set forth in the proceedings of this committee?

Mr. McCutcheon: Yes, sir.

Mr. Lloyd: Do you disagree with any of the conclusions drawn in any particular, or have you and your advisers disagreed in any respect with the conclusions drawn by our advisers in the economic field?

Mr. McCUTCHEON: We realize sir that they are of course only estimates, and we realize that they were considered in relation to other measures of social expenditure which may be adopted in the next two years. Our concern is in regard to the cumulative effect of various social schemes.

Mr. LLOYD: So far as the application of this plan is concerned, we do not have any legislation before us on other matters at the moment, and we do not know what other provinces may do at the moment. But in so far as the Canada pension plan is concerned, you do not have any reason to disagree with the general conclusions drawn by our economists.

Mr. McKICHAN: That is the point which we bring out in the submission regarding the level of the plan in relation to the level of social security payments.

Mr. LLOYD: I was hoping that somebody would say that possibly 25 per cent was a cautious approach to a plan. But we have not had anybody come before the committee to say it. I think it is a cautious approach, if I may offer a comment. You were also expressing concern about our reaching into, or about our disagreement with the commitments that we were undertaking with respect to the benefits under the Canada pension plan compared with those of the United States plan.

Mr. McKICHAN: Yes, sir.

Mr. LLOYD: In your study did you make allowance for the fact that there are upper limits for contributions in both Canada and the United States?

Mr. McKICHAN: We are aware of that, yes, sir.

Mr. LLOYD: And you were aware that the figure in the United States at the moment is $4,800, and that we heard today that possibly it might go to the region of $5,600.

Mr. McKICHAN: I do not recall the exact figure.

Mr. LLOYD: Canada's proposal is $5,000. So you have to take this upper limit of contributions in making comparisons of any over-all figures of disposable income in the hands of the residents of both countries.

Mr. McKICHAN: I think in respect of that, it is a fact that the American wage earner does have a larger disposal of material resources, even allowing for the upper limits.

Mr. LLOYD: I know that you are most anxious to put your views forward and are equally anxious to get all the facts straight just as we are, too. It is only in the spirit of co-operation that I put forward these proposals. I am not criticizing your general concern. Furthermore, do you in your appraisal of this plan take into account the refunding of the incidence of the cost of contribution with tax provisions?

Mr. McKICHAN: We appreciate that this is a factor.

Mr. LLOYD: May I give you an illustration: Let us assume the proportion of the annual payroll of one of your members liable for contributions, bearing in mind the $5,000 limitation per years, and bearing in mind that the payroll liable for contributions is $500,000 that the employer's portion would be at the rate of 1.8, and that his immediate cost would be $9,000.

Now, if he is in the 47 per cent tax bracket, plus the 3 per cent for the old age assistance tax, and if he takes his proportion as a tax reduction, then he reduces his direct cost from $9,000 to $4,500; and if he happens of course to be in a bracket below the profit margin of $35,000, then he reduces his tax liability of $4,500 by some $1,800 to approximately $2,700. Were you aware of these impacts?

Mr. McKICHAN: Yes, sir.

Mr. LLOYD: Were you aware of the extent of the refunding of your direct liability in the field of tax reduction?

Mr. MCKICHAN: Yes, sir, but I would add this, that particularly in the retail industry one is dealing with something like 160,000 or more small employers who are at a very low level of income and consequently of tax. So perhaps less in the retail industry than in any other industry is this shift going to take place. This is not particularly true of the members of the retail council.

Mr. LLOYD: In the light of the comments I have made, we now come back finally to your concerns about having a universal plan, with which I think you agreed earlier when I questioned you.

Mr. MCKICHAN: Yes.

Mr. LLOYD: If this kind of plan does not go into effect—and we will suggest that provinces should revise the idea of legislation compelling all employers to have private pension funds in accordance with the conventional practice of such funds—then your contributions would be much higher, would they not, because you have all of those private pension funds funded? So in effect—and this is what I am trying to get over to you—this kind of scheme really for the immediate future of the economy, short term, has less impact than would the other kind of plan.

Mr. MCKICHAN: I think the question is answered, sir, by the fact that in our submission we do endorse the concept.

The CHAIRMAN (*Mr. Cameron*): Mr. Aiken, do you have a question?

Mr. AIKEN: No, Mr. Chairman.

The CHAIRMAN: (*Mr. Cameron*): Mr. Basford?

Mr. BASFORD: No.

The CHAIRMAN (*Mr. Cameron*): Mr. McKichan, Mr. Went, Mr. Hyndman, Mr. Freiman, we have appreciated very much your presence here tonight. We appreciate the trouble you have gone to in preparing this brief, which will form part of the record of the committee.

We thank you, Mr. McKichan, and those who have answered questions for the full and frank expressions of your opinions; they will be of great benefit to the committee when we have to prepare our report. Thank you very much.

The committee will meet tomorrow morning at ten o'clock to hear the brief of the Canadian Welfare Council, and Senator Fergusson will be in the chair.

Mr. MCKICHAN: I would like to thank you, Mr. Chairman, and the committee for the very courteous hearing you have given us.

APPENDIX A7

REDISTRIBUTION OF PERSONAL INCOME IN CANADA

(W. M. Anderson)

(prepared originally for presentation, November 24, 1964 at the Annual Meeting of the Canadian Tax Foundation in Montreal, Quebec)

Submitted for discussion on January 14, 1965 to the Special Joint Committee of the Senate and of the House of Commons Appointed to Consider and Report upon Bill C-136 An Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors.

REDISTRIBUTION OF PERSONAL INCOME IN CANADA

The purpose of this paper is to discuss some of the problems related to the system of income transfer payments which operates between the personal and government sectors in Canada's economy. Special stress is laid upon the segment of the system designed to provide retirement income, the present and proposed methods of financing this part of the system and the level, pattern and trends of the retirement income benefit structure.

As a general premise it is assumed that income security payments by government to the individual are negative personal income taxes or, alternatively, that personal income taxes are negative income security payments. On this premise it is the net difference between these two opposite sets of transfers which constitutes the system of personal income redistribution and, therefore, the level and pattern of personal disposable income as compared with personal income before income taxes and income security payments. The general effect is one of taking the stream of personal economic income (i.e. earnings and investment income) which is divided among individuals according to the economic system of the country and re-dividing the stream with substantial regard to social adequacy in the resultant net income flows. The result is one where lower income groups in the community receive net transfer flows from the government which tend to vary inversely with their economic incomes, while the government receives net transfer flows from the higher income groups which tend to vary directly with their economic incomes.

Definition of Redistributional Income Transfers

In defining the transfer flows which affect personal income distribution, care must be taken to eliminate those which have other purposes. On the tax side the important flows are personal income tax and employee social security contributions (e.g. for unemployment insurance). Other direct taxes related to consumer expenditure (e.g. motor vehicle licences) or to transfers of wealth (e.g. estate and gift taxes) are not regarded as influencing income distribution directly. On the benefit side the major income transfers in Canada are Old Age Security benefits, Family Allowances, Unemployment Insurance benefits and categorical and general assistance payments. Grants to private non-commercial institutions (and by analogy donations by corporations) are not regarded as income transfers on the score that they are not made to individuals as disposable income but operate rather to modify consumer expenditure in a similar way to the direct provision of services by government. Payments by government in its capacity as an employer are disregarded and, therefore, civil

service pension contributions and benefits do not form part of the redistributional pattern. By analogy, the same reasoning is extended to veterans' programs which can be regarded as of the nature of an employer responsibility relating to services rendered in the past. This reasoning also operates to exclude Workmen's Compensation, which is financed purely by employers even although it involves compulsion and government administration.

It is also highly important to exclude from consideration the systems of financial transfers which are fully contractual in form such, for example, as government bonds and government annuities. In these cases there are transfers to and from government at different points of time which are connected by a formal relationship of equivalent value and, therefore, it is permissible to net these transfers and to regard them as not part of the process of income redistribution. Indeed, this principle can be carried through into situations where payments to and from the government form part of a single structure. Thus, that portion of a tax which is refundable can be regarded as a contribution which is not part of the process of income redistribution. Similarly, that portion of a benefit which can be identified as an equivalent value refund of a contribution previously made can also be regarded as non-redistributional in character. This offsetting characteristic of contributions and equivalent refunds merely carries through time the principle of netting at any one time the offsetting transfer flows to and from government.

During the post war years in Canada much of the discussion of income redistribution has centred around the provision of adequate retirement income. This problem has received active and continuing consideration by various interested groups in the community, both public and private. Indeed, the provision of adequate retirement income has emerged as an increasingly complex and massive element in the Canadian scene and, in turn, this problem has largely determined the totality of the process of income redistribution in Canada.

Access to Earnings

As a matter of background it should be observed that our socio-economic structure is not such that earned income is the main channel whereby the fruits of rising productivity are transferred from the business sector to the personal sector of the economy. Neither consumer prices nor investment incomes seem to reflect economic progress in any important degree while wage rates have an upward trend equal to that of productivity and price combined. In this context current access to labour income has become of decisive importance in determining whether an individual or family can keep pace with the upward movements in standards of living and consumer prices. This situation has been accentuated sharply by the rapid emergence of the small two-generation family, dependent on money wages, as the dominant social unit in an industrialized and urbanized economy.

From the foregoing it follows that the small minority of individuals and families who suffer from lack of adequate access to current earnings have incomes which, in general, are considerably less than half of the levels enjoyed by members of the labour force and their depedents. This lack of earnings gap is fairly uniform across the country and much more important than the income differences which exist as between provinces or as between urban and rural populations. Furthermore, the gap prevails in spite of the massive transfer payment programs which are directed very largely to persons and families who lack adequate earnings, and in spite of the widespread use of private savings and insurance mechanisms which operate to transfer income from working periods to non-working periods.

Labour Surplus and Savings Shortage

In looking at the problem of lack of access to current labour income, two other factors emerge. First, we have been faced with a chronic labour surplus which can be attributed in considerable measure to the attractiveness of the possession of a job. Prospectively, this problem appears to be growing due to increasing mechanization and automation. Its solution may require a process of reducing the relative supply of labour through making jobs less attractive as well as various measures to increase effective labour demand. Second, we suffer from a chronic shortage of personal saving to the extent that we must rely continually on the importation of external capital. This shortage may be attributed to an excessive reliance on means-testing in our social assistance programs (which operate to nullify the effect of prior saving), and to the fact that adequate savings targets in a progressing community are beyond the limits of private savings capacity because of the inability of the savings mechanism to provide for the rising standards of living which result from gains in productivity.

Because of our chronic labour surplus and chronic savings shortage, the following courses of action seem desirable:

1. Further encouragement of long term personal saving through expansion of the tax shelter now enjoyed by private pension plans and registered retirement savings plans and through other measures designed to make the savings process more attractive.
2. Conversion of the means test to an earnings test in connection with categorical assistance programs and extension of an earnings test to all public transfer payment programs through the range of working ages. (Apart from its administrative convenience, an earnings test has the important merit of avoiding any penalty on saving and of making work less attractive. Of course, it would be expected that earnings tested transfer payments would rank as income for tax purposes so that, in the case of persons with significant unearned income, the benefits would bear tax at the applicable marginal rates.)
3. Major use of taxes on earnings as a method of financing transfer payments to non-earners. Obviously such taxes are more efficient for the purpose than taxes on investment income or consumption. In addition, there is the further point that, to the extent that such taxes depress earnings, the possession of a job becomes relatively less attractive.

Earnings Taxes

In observing the use of taxes on earnings to finance transfer payments to non-earners, the question arises as to the division of burden as between employer and employee and as to the pattern of tax in relation to earnings. To the extent that the taxes are pure, in the sense that they do not give rise to tax-related or earnings-related elements in the transfer payment structure, it would seem that there is little difference in the effect of taxes falling on the employer or employee, provided that the latter are deductible for income tax purposes. However, any elements of progression which are desired in the tax pattern are more easily achieved through taxes of employees' earnings rather than through payroll taxes on employers.

While earnings taxes of a pure type have as yet been used rarely, it should be observed that personal income taxation approximates to this position in Canada since about 90% of the tax can be traced to the presence of earned

income in the income totals. In addition, value added taxes levied on labour intensive industries in countries using this form of tax provide an impact approximating that of employer payroll taxes.

Earnings taxes are commonly used to finance self-supporting transfer payment programs where the benefit structure is related to the taxes or to the taxed earnings. Where individual taxes and benefits are closely linked in value, the system becomes an insurance or savings mechanism and the taxes may properly be characterized as compulsory contributions. However, in the common situation where the benefit structure is dominated by the principle of social adequacy and the close linkage in value between taxes and benefits disappears, the taxes tend to lose their contribution attribute and must be placed within the context of taxation as a whole. Similarly, the benefit structure must be considered in the context of the total system of transfer payments.

Employee and Employer Earnings Taxes

At this point a dichotomy arises as between earnings taxes levied on employees and employers. The general pattern of personal income taxation and transfer payments is such that it is not defensible to finance earnings-related benefits by earnings taxes on employees unless high regard is paid to individual equity. The reason for this statement is that if the system operates to provide the greatest windfalls for the highest earners, it tends to operate against the general intent and effect of personal income taxation and transfer payments while, if the system provides downward directed windfalls, the employee taxes or a major portion of them should form part of the general income taxation system.

Employer payroll taxes, on the other hand, no matter how they are computed in detail may be regarded as, in effect, a global tax on global payroll. The emerging benefit structure, if earnings-related in nature, becomes a deferred augmentation of payroll. Since such a mechanism can be operated by a group of employers acting voluntarily in concert, it may be assumed that a state system of earnings-related benefits financed by employer payroll taxes in the equivalent of a compulsory consortium of employers and that the emerging benefit pattern can be in similar form to that which might have been developed by employers or groups of employers in the absence of compulsion.

The dichotomy which exists as between earnings taxes on employees and employers suggests that there should be separate benefit structures for each type of financing. Thus employee taxes might be used to provide individual benefit components within the limits of the value of individual contributions, giving the process the characteristics of a compulsory savings system. Alternatively, and more efficiently, employee taxes could be applied directly to the provision of flat benefits unrelated to earnings. On the other hand, employer taxes could be used to provide earnings-related benefits, to help raise low benefits to minimum levels and to provide for the refunds of employee contributions. It should be noted that this approach implies that neither the level nor the pattern of earnings taxes on employees and employers need be the same and that radically different funding might be used for each type.

The Retired Population

Within the general problem of income provision for people who are neither earners nor dependents of earners, the situation of retired persons requires special consideration. The retired population (about 6% of the total) constitutes nearly half of those people who lack adequate access to current labour income. In general, retired people have been without current labour income for an average of about 10 years and are removed from the mid-point of their working

years by an average of about 35 years. Having regard to the long term upward movement of earnings per worker and consumer spending per person, this means that the consumer spending levels of the community during retirement will average about 50% higher than those prevailing at the point of retirement and more than 3 times as high as the average levels prevailing through the working years. Indeed, it is no exaggeration to say that the average level of consumer spending *per person* during retirement will exceed the average level of earnings *per worker* during the prior working years. This means that in the case of a typical worker with dependent spouse who has enjoyed average wages and has raised a normal quota of children, retirement income will have to average more than twice the career average wage in order to maintain the same relative consumer spending position during retirement as that which obtained during the working years. Quite evidently, the break-up of a family structure in which children supported retired parents, the lengthening of retirement periods due to increasing longevity and lower retirement ages and the continuing upward movement of personal incomes and consumer spending have combined to produce a problem of provision of retirement income which is far beyond the capacity of most individuals to solve, either through their own efforts or in concert with their employers. Also, quite evidently, massive government transfer payment programs are an essential element in the solution of the problem of providing adequate retirement income.

The question of the aggregate magnitude of government transfer payments to retired persons (as in the case of other non-earners) is a compartively simple one. Surely it is the consensus of opinion in the community that the small minority of non-earners should enjoy income levels (including their private income resources) which are appropriately commensurate with the income levels of the great majority (after making allowance for expenses laid out to obtain earnings, the impact of taxes, and savings versus dissavings both in intangible form and in the acquisition and use of consumer durables). More complex are the problems related to the form and pattern of transfer payment programs rather than their magnitude.

Increasing Income in Retirement

It appears that the emergence of typically long retirement periods has come upon us so rapidly that we have failed to appreciate fully some of the underlying implications. In the first place, it is becoming clear that level retirement incomes for long retirement periods do not fit in with the changing circumstances of a progressing community characterized by rising incomes per worker and spending per person. After having been acclimatized for 40 or 50 years to a rising income, the retired person with level income stagnates in a progressing community. Not only does he lack access to rising living standards, but rising prices operate to depress his own living standard under the constraint of level income. The resulting feeling of restraint and frustration is not confined to the retired population but is communicated to younger relatives, friends and neighbours and breeds a lack of confidence in their own future retirement prospects.

It seems evident that regular increases in income must be provided for retired people. In theory, many people might be able to arrange for these increases themselves by the provision of increasing annuities or pensions or by saving in the early years of retirement to provide for dissaving later but, even in theory, it is difficult to provide in advance for an upward movement whose magnitude and incidence is uncertain prior to retirement. In practice, the task of providing initial retirement income which approaches adequacy is so massive that for most people the provision of level retirement income is the most that can be hoped for. Nor can post-retirement pension adjustments by former employers be relied upon except in the relatively rare cases of long prior service

with a very stable employer. There is little doubt that the great bulk of the burden of providing adequate post-retirement increases in income must fall upon the public transfer payment programs and this conclusion is borne out by the fact that in all progressing industrialized countries with typically long retirement periods, public retirement benefits in payment are increased at relatively short intervals, either by formula or by legislation.

It seems proper that the cost of adequate post retirement increases should be borne very largely by public programs since these adjustments represent a continuing sharing in the productivity gains of the community (plus insulation against price changes) under conditions where the retired individual has been cut off from the normal process of sharing in the community progress through earnings. In this light, post retirement increases should be uniform in amount for all retired people rather than being related either to current need or to current benefits (whether earnings-related or not). In this connection it may be observed that, among retired people, there is a tendency as time goes on for low incomes to fall (primarily due to dissaving) and for high incomes to rise (through saving, equity investment and inheritance). The provision of uniform increases thus operates to counteract this tendency of retirement incomes to drift apart and in the process tends to minimize the number of persons requiring needs tested supplements and to stabilize the size of these supplements. At the other extreme, income taxation of benefits makes their net effect vary inversely with other income.

Size of Post-Retirement Increases

If post-retirement increases are to fulfil the role of keeping the retired individual's total income position compatible with that of the progressing community, the size of the increases must approximate to the upward movement in consumer spending per person (about $3 per month per year per person in recent years) or, in other words, about one third of the upward movement in average earnings per worker since the non-agricultural earnings levels are about three times consumer spending levels. On the other hand, if the average income of all retired persons is to remain compatible with that of the community as a whole, this average should be advancing at the rate of about $3 per month per person per year. However, the average of private income resources of the retired appears to be rising by about $2 per month per person per year (due to the relatively rapid influx of newly retired persons with higher average incomes since, as pointed out earlier, private resource incomes can, at best, be expected to remain level during retirement). It follows that the public transfer payment programs for retired people should only be increasing by an average of about $1 per month per person per year to keep average total retirement incomes in consonance with the community as a whole. However, this trend in the average should be made consistent with a pattern which produces individual increases at the rate of about $3 per month per year.

The dilemma presented by the necessity of providing adequate post-retirement increases is well illustrated by the record of Canada's Old Age Security program. In slightly less than 12 years, benefits have been increased (in four erratic steps) by $35 monthly (i.e. from $40 in January 1952 to $75 in October 1963). The average benefit change of $3 per month per year has given each retired person increases compatible with the upward movement in consumer spending but irregular in the incidence of increase. On the other hand, the average upward movement in benefit level of about 6% per year, when combined with a 3% annual growth in number of beneficiaries, has produced a 9% expansion rate in benefit totals and has necessitated major changes in financing structure (two changes in the earmarked tax rates and an expansion of the sales tax base effective in January 1965). The present tax structure

(including the expanded sales tax base), if in effect during the history of the system, would have produced revenues which grew by about 5% a year (i.e. sufficient to look after expansion of beneficiary population and to increase average benefits by about 2% annually). Furthermore, no tax base of the general character now in use can be expected to produce revenue growth at a significantly greater rate than the growth rate of Gross National Product. In other words, if the $3 per month per year increases which are necessary for the retired individual are to be provided by an upward movement in a universal flat benefit level, fiscal stability for the system could only be secured under conditions where the current benefit level was about $150 per month rather than $75, with earmarked tax rates at about twice the current levels.

Interestingly, there is a way around the dilemma which has not been thoroughly explored. If the retired population were divided into year of birth cohorts and if the flat benefit for each cohort approximated to the difference between the current consumer spending level and the average private income resources of the cohort, the average benefit level for all cohorts would decline to the extent that the average private income resource levels of all cohorts advanced. Assuming that this latter change is about $2 per month per year per person, this would leave room to increase the average level of individual benefits by about $3 per month per year (by formula and/or legislation) without endangering fiscal stability. Unfortunately, this approach envisages a highly complex continuing compilation of private income resource levels by cohort with due regard to the problem of inter cohort consistency and cannot be regarded as a feasible technique within the near future.

Benefits Graded by Attained Age

An alternative approach which produces similar results with greater simplicity and certainty consists of a uniform grading of the flat benefits by attained age. For example, if the present Old Age Security system provided increases of $3 per month per year of age beyond the 75 level at age 70, the individual would receive increases in income merely by growing older and without reliance on either formula adjustments of benefit or the caprices of legislative change. On the other hand, since the average age of all beneficiaries is not changing significantly (the present level is between 76 and 77), the average benefit for all beneficiaries (i.e. about $94 monthly) would remain constant in the absence of legislative change and the system would be fiscally stable.

The case for differentiating benefits by age is strengthened by the fact that age is the only benefit criterion which is beyond the control of the individual and which changes equally and automatically for all individuals as time goes on. Age is now used as a qualifying factor for Old Age Security and other programs and as a differentiating factor in Family and Student Allowances. Furthermore, benefit increases with age tend to be politically neutral since they are prospectively available to all persons. Nevertheless, the size of benefit differentiation by age depends for its validity not upon the convenience of providing necessary increases in income through such a process, but upon the degree to which private income resource levels tend to vary inversely with age among retired people. It seems quite evident that this inverse relationship should be present. The oldest retired people worked at earlier periods than those less old. Therefore, their earnings were at lower levels and, consequently, their savings capacities and the private retirement incomes which they were able to generate. Any tendency for private retirement incomes to decline after retirement would operate to accentuate this situation. In addition, advancing age means lessened access to labour income.

The size of the inverse relationship of income to age in the retired population may now be judged for the first time from age breakdowns for the non-

farm population taken from the sample study of incomes conducted in conjunction with the 1961 census. From this study it would appear that a benefit grading of about $2 per month per year of age could be amply justified for the population age 70 and over since there would be no resultant overall tendency for average total incomes to increase by attained age at any one time. On the other hand, a benefit grading of as much as $3 per month per year of age could only be justified on the assumption of sharply higher expenditure levels for the very high ages or on the premise that the community wished to provide very liberal treatment for the very old in the light of their fewness in number and their short expectations of life.

Benefit grading at the rate of $2 per month per year of age beyond an initial level of $75 per month at age 70 would result in a stable average benefit level of $88 per month. The financing structure could be expected to support further flat increases in all benefit levels of about $1 per month per year, so that the necessary post-retirement increases of about $3 per month per year per person could be achieved without fiscal strain. Furthermore, the age grading of $2 per month would represent the minimum increases in consumer spending per person which might be contemplated, while the timing of legislated increases could coincide with upward fluctuations in the changes in consumer spending. However, since the private income resource levels of newly retired persons have a significant upward movement and since transitional adoption of earnings-related benefits would accentuate this movement, it appears that initial Old Age Security levels may already be too high and should decline rather than increase in the near term future. Politically, such a decline can hardly be contemplated but, in order to avoid the difficulty of granting redundant legislated increases to newly retired people, it would be preferable to contemplate age grading at the rate of $3 per month per year of age for most of the retired and thereby avoid potential further legislative change for the near term future.

Benefit Commencement Age

The design of appropriate age grading also involves a solution of the problem of the abrupt transitional point at age 70. The current legislative proposals envisage a progressive lowering of the minimum commencement age to 65, with a benefit rate reduced according to age of comencement ($51 monthly commencing at age 65) and with benefits payable independent of a means test or earnings test. The process is based upon the concept of approximately equal expected benefit totals, regardless of commencement (in effect, actuarial adjustment at a zero interest rate). Little has been said about the process of adjustment if and when the level of Old Age Security is increased, and the emerging future situation where benefits may be as much as 32% below normal (merely because of earlier commencement) has been given scant attention indeed.

It seems to have been overlooked that the process of actuarial adjustment is a facet of the principle of individual equity which requires equivalence in value between individual contributions and indivdual benefits and, therefore, equivalence in value between alternative benefit choices. Actuarial adjustment lacks validity in the case of individual benefits in excess of the limit which individual contributions can purchase. Such benefits must be financed collectively and their structure depends upon the principle of social adequacy (i.e. the benefit pattern must be related suitably to the relative positions of the beneficiaries in the community at the time of benefit payment). Any attempt to alter the pattern of a socially adequate benefit structure through actuarial adjustments in the time of payment of benefits interferes directly with the social adequacy of the pattern. Furthermore, actuarial adjustment is superfluous in cases where the individual can arrange for a corresponding alteration in the incidence of income flows from his private resources and where these resources

are so meagre that this is not possible, alteration in the incidence of supplementary needs tested assistance is a more efficient instrument than actuarial adjustment of Old Age Security benefits.

A much more satisfactory downward extension in the Old Age Security commencement age could be contemplated under a system where benefits were graded by attained age and were subject to an earnings test until age 70. As an illustration, suppose that basic Old Age Security benefits consisted of $3 per month per year of age beyond age 50, thus amounting to $30 at age 60, $45 at 65, $60 at 70, $75 at 75, $90 at 80, $120 at 90 and $150 at 100. Prior to age 70, benefits would be subject to a suitable earnings test applicable to the individual (and to the spouse as well in the case of married couples). Persons deferring commencement of benefit to age 70 would continue to be entitled to $75 from age 70 to 75 inclusive, with $3 increases commencing at age 76. Transitionally, minimum commencement ages might be lowered in stages from age 70 (perhaps more rapidly for women) but direct implementation might be contemplated for all persons qualified for means tested or needs tested assistance since benefit costs would be offset by reductions in other programs. For all persons age 70 and over, the increases beyond age 75 would operate to raise the average benefit level to about $84 but this level could fall to about $80 if most people commenced taking benefits below age 70. The resultant system would be one where the retired individual received increases in income compatible with the upward movement in consumer spending, where the average income of all retired persons moved up at about the same pace because of the upward movement in other income sources due to rapid turnover in the retired population as a whole and where the fiscal margins emerging from a constant average benefit level could be used effectively to finance the impact of downward extension in initial commencement ages. The combined merit of giving the retired individual rising income within the context of a fiscally stable transfer payment program should warrant intensive consideration in the discussion of pension problems and of the allied situations relating to disabled persons, widows and orphans.

Proposed Earnings-Related Pension Plans

Predominant in recent discussions of pension problems have been the several proposed versions of the Canada Pension Plan and the Quebec Pension Plan and, in particular, the most recently proposed joint version. Among the major criticisms of the proposed structure are the following:

Discrimination against persons lacking labour income

1. No benefits are proposed except for contributors or their dependents, although it may be presumed that if the plan had been in effect in the past, virtually all of today's non-earners would have been contributors or dependents of contributors. Thus the plan excludes all persons who lack access to current labour income, either directly or as dependents, and will continue to exclude these persons as long as the lack of access to earnings continues. In this sense the plan not only discriminates against current non-earners, but may be expected to operate to aggravate the chronic labour surplus by making the possession of a job more attractive than it now is.

Upward movement of new benefit awards

2. During the ten-year transitional period, initial benefit entitlements at retirement will move up very sharply, with the result that for many years to come there will be a comparatively sharp downward slope by attained age in the income levels of retired contributors in the transitional year of birth group extending from 1896 to 1911. This problem will continue to exist after transi-

tion because the upward movement in initial retirement entitlements will continue to exceed the limited post-retirement adjustments contemplated.

Upward movement of windfall content

3. Through the transition period the plan contemplates the provision of benefits worth many times the contributions, since the latter will have a value of not more than about 10% of that of the benefits promised. Furthermore, because of the method of relating benefit entitlements to adjusted average earnings, there does not appear to be any point, even in the far distant future, when the contributions by or on behalf of an individual will have a value exceeding about 40% of the value of his benefits. As well as this, the unpaid for benefits or windfalls (i.e. the portion of the benefits beyond the level which the contributions would purchase) can be expected to continue to increase in average absolute size for new retirements in each successive year after transition, even although they may be declining as a proportion of the total new benefits awarded. Thus the system will always be promising greater future windfalls than those which it is currently delivering.

Windfalls related to earnings

4. For persons retiring in any one year, the system proposes to grant the greatest windfalls to those persons with the highest adjusted average earnings records (i.e. the very persons who presumably have had the best opportunity to make other provisions for retirement). While it is true that as between persons with differing adjusted average earnings the additional windfall benefit is uniformly 25% of such difference (less the portion purchasable by the difference of contributions), a windfall pattern of this character is, as pointed out earlier, incompatible with the concept of financing through employee contributions (or general taxation, for that matter) and can only be defended if it is clearly financed by payroll taxes levied on a consortium of employers either by agreed assessment or by compulsion.

Index adjustment of benefits

5. The system proposes post-retirement adjustments in relation to the movement of the Consumer Price Index (with an upper limit of 2% per year cumulatively). Such adjustments would operate to widen differences in benefit in the course of time under conditions where the differences in other income resources of the beneficiaries were also widening presumably. This situation does not seem to make sense (particularly with reference to the windfall portion of the benefits) since the system as a whole admittedly purports to provide only a portion of retirement income and for many years to come will confine its benefits to a minor part of the retired population.

Index adjustment of earnings

6. The proposed adjusted average earnings upon which benefits are based are calculated by a process which is equivalent to accumulating actual covered earnings at the rate of change of the yearly maximum contributory earnings (i.e. at the rate of change of the Consumer Price Index, with a 2% per annum cumulative limit, during the 10-year transitional period and at the rate of change of an average general wage index thereafter). After allowing for the prescribed drop-out period, the annual average of the earnings so accumulated becomes the amount of adjusted average earnings. Because of the accumulation factors involved, greater weight is given to the more remote earnings histories so that, after the system has been in operation for a considerable period, the adjusted average earnings at retirement will in many cases differ very considerably from the earnings close to retirement. (In general, it may be estimated that ultimately about 70% of the individual's benefit will be determined by earnings during the first half of his contribution period and only about 30%

by earnings during the latter half.) If the benefit formula were devoid of windfalls, the process would make sense since it is tantamount to a money purchase formula, with the rate of change of the contributory earnings ceiling used in lieu of an interest rate to accumulate contributions. But in a system possessing massive earnings-related windfalls, it must surely be the case that the windfalls should always be related to the earnings close to retirement. Whatever case can be made for earnings-related windfalls in a public pension system revolves around the problem of transition at retirement from a recent relatively high earnings level to a more modest retirement income level. Windfalls related to more remote earnings histories are completely irrelevant since, by definition, they cannot rest upon individiual equity and they can have no connection with social adequacy. It should be noted that an earnings-related pension formula confined to recent pre-retirement histories (as in fact is proposed under the Canada Pension Plan in the short term) does not deal with persons who have had little or no earnings in the immediate pre-retirement years. However, the problems of these people should be dealt with under programs related to the reasons for their inability to work since there is no difficult transition at or about normal retirement age caused by loss of access to earnings at that time. It should be further noted that in a system of earnings-related windfalls determined by the earnings record during years close to retirement, adjustment of covered earnings by the proposed method of the Canada Pension Plan has less significance but still contains the unfortunate bias of depressing the relative importance of the earnings closest to retirement and the defect of widening the differences in promised windfalls by reason of the effect of the adjustment process.

Survivorship and Disability Benefits

7. The ancillary provisions in the Canada Pension Plan relating to disability, pre-retirement widowhood and orphaned children all contain flat rate components and, in addition, earnings-related components or limitations. In principle, it is difficult to understand the rationale whereby flat rate benefits are limited to the dependents of contributors and further restricted in some instances by the covered earnings record. Surely it would make more sense to universalize these flat rate benefits and to extend them immediately to all dependent persons affected by the contingencies of death or disability as defined, subject to suitable earnings tests applicable in all cases. Once the principle of using earnings taxes to finance non-earners' benefits is accepted, it does not make sense to confine flat rate benefits to dependents of earners with a contribution record (nor to restrict such benefits by reason of either the period or the magnitude of covered earnings). The earnings-related components of the proposed disability and pre-retirement widowhood benefits constitute an arbitrarily defined insurance structure since they are proportionate to a defined level of adjusted average earnings and, in turn, differences in benefit levels are proportionate to differences in adjusted average contribution levels, these latter differences being ample to provide for the insurance contingencies involved. Since insurance against the contingencies of death and disability is available from many sources and is widely provided for in Canada, and since insurance proportionate to earnings presents no problems related to ability to pay the required premiums and is not dependent upon the long term accumulation of savings as in the case of private retirement incomes, the introduction of earnings-related benefit components in the case of death and disability, at a low level in relation to earnings, seems quite illogical and in addition involves administrative complexity which is unwarranted under conditions where most of the covered persons will have to continue to provide for additional coverage through private sources. The question may well be asked as to whether earnings-related death and disability benefit components have any logical place at all in a general public transfer payment program unless dif-

ferences in benefit levels are sufficiently large in relation to differences in earnings levels (e.g. the case of Workmen's Compensation) so that most people do not need to provide additional voluntary coverage. However, the magnitude of problems where adequate government action is essential for effective solutions is so great that extremely low priority must be given to government action in areas where solutions at the private level are feasible and attainable (either voluntarily or possibly in some cases through compulsion).

Coverage of the self-employed

8. Both Canada and Quebec Pension Plans propose compulsory coverage for the self-employed at the combined employer-employee contribution rate. However, the point seems to have been overlooked that most self-employment income is a mixture of investment income which is independent of continuing activity and earnings which are directly analogous to wages and salaries. Correspondingly, rental income may contain a significant earned income component for services performed by the owner. It would seem to be much more equitable to regard self-employment income as consisting of investment income up to some appropriate level (e.g. 6% per annum) in relation to the net worth of the activity, with only the excess beyond this level defined as earnings. Additionally, this aproach should present less administrative difficulty in the determination of contributions since comparatively few contributors would not be income taxpayers.

Funding and its implications

9. The Canada Pension Plan proposes to fund the excess of income over outgo and to invest this fund by lending to the provinces at interest. An immediate question arises as to whether funding is legitimate unless there is a prospective future net liability (i.e. an excess in present value of future outgo over future income). Under the conditions of a progressing economy with rising population and using the open group technique which embraces future earners as well as present ones, it would appear that at no time in the future will the situation arise when the outflow of paid-for benefits (i.e. that part of the individual benefits which could be purchased by contributions made by or on behalf of the individual) will amount to more than about 50% of the concurrent income at the proposed contribution rates. It follows, of course, that any prospective excess of outgo over income is traceable solely to the continuing rising pattern of earnings-related retirement income windfalls. Apart from the illogical character of a long term pattern of increasing windfall promises, the concept of providing for them in advance (and even prior to the point where they commence) is not in keeping with any sense of social adequacy in a retirement benefit structure and, of course, has no meaning from the point of view of individual equity since the windfalls are defined as benefits beyond the level which contributions could purchase. It would make much more sense to transfer the excess of income over outgo in the Canada Pension Plan to the Old Age Security Fund, to reduce correspondingly the earmarked taxes (particularly the earmarked portion related to personal income) and to transfer the tax sources relieved of earmarking to the provinces. Such action would avoid the undesirable implication of funding in advance for high future windfalls and at the same time would avoid the possible consequences of the creation of provincial financing sources other than taxation and open market borrowing.

Suggested Government Action

Against the foregoing background and comment, what kind of constructive suggestions emerge in relation to governmental income security programs in general and the Canada Pension Plan proposals in particular? Assuming that taxes on earnings can become a major revenue source for income maintenance

benefits, that adequate post-retirement income increases are essential from the combined point of view of equity as between year of birth cohorts and fiscal stability and that publicly provided earnings-related pension components are necessary (at least in the short run), the following points appear to be highly relevant:

Reform of Old Age Security

1. Old Age Security should be reformed as rapidly as is feasible to provide for appropriate upward benefit movement by attained age (e.g. $3 per month per year per person) and to provide for downward extension in initial commencement ages with the same grading system by attained age and with earnings tested qualification for current benefit until age 70.

Separate employee and employer taxes

2. The tax proposals under the Canada Pension Plan should clearly separate the employee and employer taxes (with appropriate sub-division in the case of the self-employed) and provide separately for the disposition of each tax source (to be referred to later). An implication of this suggestion is that the two tax sources need not necessarily be the same in either level or pattern.

Initial avoidance of formula adjustments

3. The initial Canada Pension Plan legislation should contain no reference to formula adjustment in benefit entitlement or benefits based on either a price or a wage index. Apart from the arguments already advanced, it should be noted that the proposed adjustments have very mild short term effects but most profound long term implications. There will be ample time to study whether such adjustments should be provided for once contributions have commenced, particularly since it would be more responsible legislation to base formula adjustments on the actual operating records of the system rather than on statistical indices which by their nature are subject to varying types of error in their construction. In the particular case of the proposed $5,000 contributory ceiling, a fixed level in the initial legislation can have no material effect on the growth in contribution income in the early years since currently average and modal wages are well under this level. It is true that the ceiling will have to rise in the course of time to maintain an appropriate level of contribution income but the provision of a legislated formula for this purpose should await the generation of actual contribution data for the system in order to secure proper design of a formula adjustment. Here again, it may be expected that it will be some years before average wages reach the proposed ceiling so that there will be ample time to give this problem adequate consideration, rather than engaging in long-term abdication of legislative responsibility in the manner which has been proposed.

Refunds of employee contribution accumulations

4. A separately identifiable component in the Canada Pension Plan benefit structure should be the repayment in equivalent benefit form of the employee's own contributions based upon accumulation of the employee contributions at specified rates, and conversion to benefit form by specified factors (in both cases within the limits which could be obtained through alternate channels). This equivalent value refund of employee contributions should be available within specified limits on a lump sum basis at or after death, disability or retirement and no other lump sum benefits should be provided by the system. Appropriate instalment and annuity options should also be available and these refund benefits should not be subject to earnings tests except to defer current payments to provide additional benefits of equivalent value at a later time.

Earnings credits at age 55 and later only

5. Earnings-related pensions should be specified as 2½% of the best ten years' covered earnings in 1966 or later) at or after the attainment of age 55, with earliest initial commencement scaled down through a short transition period from age 69 to age 65 and with appropriate earnings testing in relation to pension payments prior to age 70. It should be noted that through the proposed transitional period to 1976, this formula has about the same effect as the Canada Pension Plan formula of 2½% of adjusted covered earnings (the absence of the adjustment of covered earnings being approximately offset by the refund benefit from employee contributions referred to previously). However, in the longer term the concentration of the earnings-related benefit formula on the covered earnings record at and after age 55 ensures that the benefits will always be suitably related to recent earnings and, therefore, to the problems of transition to retirement. In order to mitigate the sharpness of the transitional period, it is also suggested that for the transitional years 1966 to 1975 covered earnings could be credited even although the individual had reached age 70 or being below age 70, had commenced pension (in this latter case the earnings test might deny current benefits but the earnings would augment future entitlement). In addition, it should be permissible for any person born in 1910 or earlier to submit authenticated earnings records (preferably income tax returns) relating to the years 1965 or earlier but at or after the attainment of age 55 and, subject to payment of employer contributions, to have such earnings records (up to the $5,000 per year limit) recognized as creditable for any or all of the years 1966 to 1975 inclusive. The effect of these procedures would be that all persons with earnings records close to or beyond retirement would have the opportunity to engage in a transitional build up to provide full earnings-related pensions by 1976. By this technique the full benefit structure (rather than merely the new pension awards) could be regarded as fully mature at the end of the ten-year transition period.

Implications of earnings credits from age 55 on

6. It is important to observe that restricting the earnings-related benefit formula to earnings at or after age 55 not only relates the benefits more satisfactorily to retirement transition problems but also avoids the pitfalls of long-term windfall promises. In addition, the process preempts the field of pension credits related to current covered earnings from age 55 on. This means that private pension plans would have a very easy integration problem (i.e. omit from the private plan current service credits for the best ten years of covered earnings at or after age 55). Because of the costly character of providing appropriate funded pension credits in these years, such integration might very well encourage marked expansion in the private plans. However, they would still have responsibilities related to wages and salaries above the ceiling and to final average adjustments in relation to prior service. Important by-products would be that relief from the high funding costs of the immediate pre-retirement years would remove a barrier to the employment of older workers and would considerably lengthen the period between input and output in the private pension funds, thus making them relatively more efficient suppliers of long term capital for investment and, in particular, making equity investment more suitable to the funding objectives.

Post-retirement widow's benefit

7. For the reasons cited earlier, the Canada Pension Plan should not provide earnings-related components in the benefit structure for disabled persons or pre-retirement widows. However, with a post-retirement widow's benefit of 60% of the husband's benefit, it would be logical to extend this formula to all widows where the husband had died after attainment of age

55 and to provide a widow's benefit of 1½ of the husband's best ten years of covered earnings at or after the attainment of age 55.

Flat survivorship and disability benefits

8. Flat benefits for disabled persons, orphaned dependent children and their dependent mothers and widows of advanced age should be provided on a universalized basis, regardless of prior contributory history but subject to suitable earnings tests (on a family basis where appropriate) and with due regard for the necessity of providing for uniform and regular upward movement by reference either to attained age or to duration of benefit.

Roles of employee and employer taxes

9. In order to distinguish clearly the essentially different roles of employee and employer contributions, close consideration should be given to the respective ways in which each revenue source is applied to the provision of benefits. For example, it would be entirely appropriate for *employee* contributions to be paid into an expanded Old Age Security Fund along with appropriately revised earmarked taxes in order to provide for, on a pay-as-you-go basis, the various types of flat benefit. On the other hand, the *employer* contributions might be used exclusively for the purpose of providing for earnings-related pension windfalls together with the refund benefits related to employee contributions. Since this benefit structure would not reach maturity for many years, it should be operated on a funded basis to the extent necessary to stabilize future contribution rates. If this fund is invested through loans to the provinces, it is suggested that the loans should be restricted to the purpose of financing educational facilities. The reason for such earmarking is two-fold. First, the life cycle pattern is such that the combination of educational capital expenditures and pension requirements should tend to remain stable in relation to total earnings from the long term point of view and, second, in a long term public funding system, the necessity of providing for truly productive investment, in a real sense (other than merely in financial terms), probably can be more closely fulfilled by investment in education than in any other area.

Summary of Objectives and Action

This discussion may be summarized by citing the following underlying objectives:

1. A public flat benefit transfer payment structure should be spread as broadly as possible among all those people who are neither in the labour force nor dependents of members of the labour force, with wide-spread use of earnings tests at the boundary of eligibility.
2. The benefit structure should ensure that uniform and regular upward movement in individual benefits occurs through the passage of time, but in a manner which also ensures fiscal stability in the financing structure. This upward movement should be defined in the form of flat, universal dollar amounts rather than as percentage adjustments in benefit components.
3. The structure should not use any type of legislated formula adjustment based on statistical indices and should avoid any type of formula adjustment of contributions before the structure has generated adequate internal accounting data and also any type of formula adjustment of benefits while the structure is immature.
4. Major reliance should be placed on earnings taxes as a financing base but with a sharp distinction between the role of employee and employer taxes.

5. Employee taxes should be used directly to finance current flat benefits but should also be made refundable in order to distinguish them from other direct personal taxes and, therefore, to permit the employee contribution pattern and level to be determined independently of other taxes.
6. Employer taxes should not be identified with individual employees and should be pooled for the purpose of financing pension benefits relating to covered earnings close to retirement and to provide for employee contribution refunds.
7. Because of the immature character of the benefit structure financed by employer earnings taxes, this part of the structure should be funded to the degree necessary to stabilize future tax rates and to best ensure the long term purposes of this fund, investment should be confined to the area of educational facilities.

Conclusion

Finally, may it be suggested that Canada should not copy pension patterns which may be appropriate in countries with highly socialized economies, in countries with low levels of private retirement saving, in countries with rapidly rising price and wage levels, in countries with a large and clearly marked gulf between the rich and the poor or in countries with marked economic differences due to segregation problems. Canada possesses none of these dubious qualities and her policies should relate to the central problem of the major differences in the level and pattern of income resources which exist as between those who have current access to earnings and those who have not. Put in somewhat different words, Canada's problem is one of achieving a compatible relationship between a strong desire for social solidarity and an equally strong desire for economic freedom coupled with responsibility. Good political action entails a process of complementary merger between these desires to the advantage of both and to the detriment to neither.

APPENDIX 8

SUBMISSION TO THE SPECIAL JOINT COMMITTEE OF THE SENATE AND OF THE HOUSE OF COMMONS ON CANADA PENSION PLAN

by the

Retail Council of Canada
Toronto 1, Ontario

January 14th, 1965

The Honourable Senator Muriel Fergusson,
Mr. A. J. P. Cameron, M.P.,
Joint Chairmen,

The Special Joint Committee of the Senate
and of the House of Commons on Canada Pension Plan,

Ottawa, Canada.

Gentlemen,

1. Retail Council of Canada represents most of Canada's larger retailers and a substantial number of its medium-sized and smaller retail organisations. Between them, its members perform some 30% of the retail 'store' business in Canada. It welcomes this opportunity of presenting its views on Bill C-136 to the Committee. Circumstances in relation to the Canada Pension Plan have been changing with considerable frequency. It is possible that certain of the remarks contained in this submission will have become outdated by the time it is considered by the Committee. It is however necessary for us to attempt to crystallize our position at some particular point of time. If material changes in circumstances occur, the Council hopes it will be afforded the opportunity of making a supplementary submission to the Committee.

2. The industry in which our members are engaged is particularly sensitive to changes in legislation affecting employee working conditions because of its labour intensive nature. Some 800,000 persons in Canada are directly engaged in the trade on a regular basis. At peak periods the labour force expands to over 1,000,000 persons.

3. The Council is in favour of the concept of a contributory uniform pension plan, providing benefits to retired persons, widows and dependents and disabled persons. The Council believes that a majority of the citizens of this country hold similar views. The Council does, however, have considerable reservations regarding the present form of the plan and the timing of its introduction.

Priority of the Plan

4. Since the intention of the government to introduce the Canada Pension Plan was made known, the report of the Royal Commission on Health Services recommending the introduction of a national comprehensive health plan has been published and there have been indications that the pressures for spending on education and other social services will increase. At the same time, the Federal and Provincial Governments have decided to review the division of their respective sources of tax revenue. Implicit in this latter proposal is the suggestion that Provincial tax sources will be expanded at the expense

of Federal sources. In the light of these developments, there would seem to be considerable merit in the suggestions which have been made advocating the delineation of priorities in the social expenditure field. It seems appropriate that this delineation be a co-operative venture between the Federal and Provincial Governments. It is the Council's recommendation that however desirable the early introduction of a comprehensive contributory pension plan may be, its commencement should wait upon this determination of priorities and a close review of whether the national economy can afford a plan of this magnitude at this time.

The Financing of the Plan

5. The recently published actuarial report indicates that contribution rates at the levels contemplated will ensure the establishment of a fund having a value of some $5 billion by 1975 and which will reach a peak considerably above that level in the early 1980's. (This estimate assumes participation by the Province of Ontario.) By 1985, the Plan will require to be collecting contributions at the rate of between 4% and 4.8% of earnings to remain on a "pay-as-you-go" basis. Increased contributions would be required if the fund is to be used to produce further monies for provincial investment.

6. As originally conceived, the Plan was to have a fund of only modest proportions. An amendment to the original Plan had the effect of substantially increasing the size of the fund.

7. The Council assumes that the decision of the Province of Quebec to operate its own Plan is final and the Council does not propose to argue the merits of that decision. The Ontario Government has recently indicated that it is considering withdrawing from the Federal scheme and establishing its own Plan (presumably with reciprocity provisions similar to those agreed with the Province of Quebec.) It appears that at least one of the motives influencing the Province of Ontario to contemplate such a decision is the fact that it is not to have direct control over the capital of its share of the fund and the conduct of the Plan as a whole in the future.

8. The Council had not intended to reopen the question of the respective virtues of a fund of modest proportions and a fund of the very considerable dimensions proposed under the present legislation. It appeared that establishment of a sizeable fund was the price of provincial co-operation. However, if the Council's assumptions regarding the attitude of the Province of Ontario are correct, then this subject may very well be worth reopening.

9. In the view of the Council, it would be most regrettable if there were to be three, or if Ontario's example were followed by any of the other provinces, an even larger number of separate Government pension schemes being operated in Canada. Apart from the increased administrative costs of the schemes themselves, a substantially increased administrative cost burden would be placed on inter-provincial employers. Again, although arrangements for reciprocity in coverage for employees moving from one province to another would no doubt be achieved, it seems quite likely that with the passage of time, regional considerations might induce one or more governments to alter contribution rates or benefits or both. In this event, the encouragement to labour mobility which the original concept of the Federal and the Quebec Plans appeared to promise, would be lost.

10. For these reasons, the Council believes that every effort should be made to so amend the design of the Federal Plan that participation in it becomes acceptable to the Province of Ontario. If, as the Council believes, the present hesitation of the Province of Ontario in participating in the Federal Plan is induced by fears that it will have only partial control over the substantial part

of the accumulated contributions in the fund which originated in Ontario, the most readily apparent way of allaying these fears would be to revert to the concept of a minimally funded plan.

11. It has recently been suggested by the responsible Minister, the Honourable Judy LaMarsh, M.P., that negotiations be opened between Canada and the United States for the purpose of achieving reciprocity in the pension/social security coverage of the two countries. If reciprocity can be contemplated between two schemes of such divergent construction as those of the United States and Canada, achievement of reciprocity between a minimally funded Federal Plan and an extensively funded Quebec Plan would seem to be well within contemplation.

12. If, however, it is decided that the Federal Plan should proceed with or without Ontario Government support on the present basis of funding, the Council believes that every effort should be made to ensure that the existence of the fund does not induce extravagance in the establishment of benefit rates in the future. A well-known Canadian economist stated recently:

> "There is of course always the risk that a fund of considerable size will be a standing temptation to raise benefits beyond what current contributors would be willing to pay if they knew the long-run cost. The need to educate the public on the financing of the programme is very great and this will be a never-ending task, always worth doing well."
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> ("An Economist's view of the Canada Pension Plan" by Dr. Robert M. Clark, published in "Symposium of Views on the Canada Pension Plan", CCH Canadian Limited, at Page 39.)

The Council endorses Dr. Clark's sentiments.

13. If a substantially funded plan is in fact introduced, the Council does not quarrel with the decision to make a proportion of the reserves available for investment by the participating Provinces. It simply is anxious that the integrity of the Plan as it presently is contemplated be maintained. In making this observation, the Council is mindful of the recent history of the Unemployment Insurance Fund. Possibly the fact that amendments to the Plan require agreement between the Federal and a prescribed proportion of the Provinces gives some assurance that future Governments will be constrained to adhere to the principles on which the Plan is based.

The Cost of the Plan

14. The cost of the Canada Pension Plan and the relationship this cost will bear to the gross national product can be projected with some reasonable degree of accuracy in the course of the next few years. As the actuarial report has revealed, possible changes in the Plan, actuarial uncertainties and uncertainty as to the rate of future growth of the economy make any such estimates of doubtful validity for the long term. It has been demonstrated that both in the immediate and long-term future, the costs involved will be substantial. It is clear that, in the view of the Federal Government and its economic advisers, and presumably in the view of several of the Provincial Governments and their advisers, the nation can afford the present plan. "Afford" in this context is used in the sense that increases in cost of doing business and the reflection of these costs in prices will not prejudice our foreign trade position, nor, domestically, materially affect the standard of living of those who will not benefit from the Plan and who at present have limited income or do not enjoy income derived from labour.

15. A comparison of particular significance is that between the level of benefits now proposed in Canada and those available in the United States under that country's Social Security Programme. The maximum combined Pension Plan and Old Age Security monthly provision for a married couple aged over 70 contemplated under existing legislation in Canada is $254.00. The similar provision in the United States amounts to $190.00. These figures must be considered in the light of the fact that in recent years, the average of Canadian personal income has been 70% of the equivalent American figure.

16. Also relevant to the consideration of the proposed level of pensions is the comparison which will inevitably be drawn between the Old Age Security payments received by, on the one hand:

(*a*) Persons now in retirement,

(*b*) Those who will retire prior to the introduction of the Plan,

(*c*) Those who retire in the early years of its operation, and on the other:

The payments to be received by those who retire when the Plan is matured. It would seem realistic to assume that strong pressures will be felt from those retired persons who will not benefit from the Plan or who will benefit only to a limited degree, to bring their income closer to that enjoyed by those who are full beneficiaries under it. The recently announced amendments to the basis of paying Old Age Security while ensuring that the gap between the two classes of retired persons will not widen further, will not diminish this gap. There would seem to be merit in adjusting benefit levels so that disparities become less pronounced.

17. The Council approves of the principles embodied in the legislation:

(*a*) that periodic reports on the anticipated revenues and expenditures of the Plan will be made by actuaries and studied by an advisory committee, and

(*b*) that special actuarial reports must be made to estimate the long-term costs of any proposals to change the benefits or other major features of the Plan.

18. Because the Canada Pension Plan and the Old Age Security Plan will be separately financed, it will be difficult for the average citizen to appreciate the actual costs of the combined programmes. It is considered that it would be desirable for Canadians to be able to arrive at this figure because now, and in the future, they will be expected to make intelligent decisions between the desirability of spending in the pension area and spending in other fields or indeed in obtaining relief from some part of the taxation burden. The Council recommends that a means be devised of quoting the actual total combined costs of the two plans to the public.

Coverage

19. The Council endorses the principle that coverage be extended to persons in all types of employment where it is administratively practicable to collect contributions. The Council notes that part-time and occasional employees are to be covered by the Plan provided their age level and annual earnings bring them within the eligible class.

20. The retail industry in one of the largest employers of occasional labour. A large proportion of such employees are married women who look primarily to their spouse to provide for them at the termination of their working life and often are more interested in present income than future security. Other categories of temporary employees and those who frequently change their

place of employment, might also prefer to contract out of the Plan if this option were available. The Council believes, however, that whatever the wishes of individuals in such groups, participation should be obligatory for all such employees whose earnings bring them within the scope of the Plan. It seems probable that the transient or unskilled person who can least afford to provide for his old age, is precisely the type of person who would be most likely to opt out of the Plan if this opportunity were available. Purely voluntary participation would also give administrative problems and presumably detract from the economies of scale which the Plan promises.

Employers' Part in Operation of Plan

21. In the past, various of the social security measures which have been introduced by governments have placed a considerable burden of unremunerated clerical work on employers. It is hoped that, when consideration is being given to the mechanics of operation of the Plan, full consultation will take place between the Government and employer groups with a view to devising procedures which place a minimal burden on employers. Possibly it would be of assistance if a Department-Trade Committee were established to review the details of reporting procedures and coverage, etc. Representatives of the Council would be happy to make themselves available for the purposes of consultation.

22. While detailed regulations for the handling of reporting procedures are not yet available, and indeed may not yet have been framed, the wording of the relevant sections of the Bill itself causes concern that employers may be involved in considerable administrative difficulties. The following problems immediately present themselves:

(*a*) It seems that while overpayments by employees can be refunded to them, no means of refunding the matching overpayments of employers is provided for;

(*b*) Employers will have considerable difficulty in ascertaining the correct amount of contribution to be made by each of their employees. Difficulty will also be experienced in determining which employees are obliged to contribute (because of the basic exemption provisions and the minimum age requirements). These problems will be particularly acute in the retail industry where the percentage of part-time workers is high and where there is a very high turnover in the labour force.

(*c*) Varying periods of employee payment may cause difficulties, particularly where employees change employers.

For these reasons, the Council believes that there would be merit in establishing a system of contribution payment similar to that used for collection of income tax. In other words, estimated contributions (calculated as accurately as circumstances would allow) would be made on behalf of employees with matching contributions being remitted by employers, but final determination of an employer's liability would be deferred until after the year end. The final contribution determination might conveniently be combined with the employee's personal income tax liability determination when 'T.4' slips were available. Appropriate assessments on refunds could then be made to both employers and employees.

Integration of Existing Plans

23. The Council believes that employers may experience particular difficulties in attempting to integrate existing pension plans with the Canada Pension Plan, where the terms of the plan emerged as a result of the collective

bargaining process between employer and employees. The Council is apprehensive that sections of organised labour may be reluctant to agree to any alteration of existing pension schemes which would involve a reduction of future employer contributions despite the fact that the reductions in future contributions and benefits were to be compensated for by the benefits provided by the Canada Pension Plan. In situations where a union adopted an inflexible attitude, the Canada Pension Plan would simply become an additional and expensive fringe benefit for which there could be no social justification. The Council believes that while it may not be possible to frame legislation which would prevent the unnecessary duplication of pension benefits, the widest possible publicity should be given to the Government's desire to see labour in the industries within Federal jurisdiction act responsibly in this context. The Federal Government might also consider discussing with Provincial Governments the wisdom of their following similar courses.

Federal/Provincial Liaison

24. The Council noted with approval the recent decision of the Provincial Governments to seek uniformity in their legislation dealing with the regulation of existing plans. It seems apparent that if in the future a jungle of conflicting Federal and Provincial legislation is to be avoided, continuing co-operation in the pension field must take place. This Council, representing as it does many inter-provincial companies, certainly endorses this concept.

Summary of Conclusions

25. (*a*) The Council approves the general concept of a uniform contributory Pension Plan, but it queries whether sufficient study as to the ability of the national economy to support this and other desirable social welfare projects which have been proposed has been undertaken.

(*b*) The Council believes that it would be most unfortunate if the Province of Ontario were to withdraw from the Canada Pension Plan. The Council would favour a substantial reduction in the size of the fund contemplated under the Plan because this action would seem likely to encourage the participation of the Province of Ontario in the Canada Pension Plan.

(*c*) Attention is drawn to the disparity which will exist between the level of pension to be received by contributors under the Plan when it is in full operation and a person solely dependent on Old Age Security benefits. A comparison is also made between the benefits to be enjoyed by contributors to the Plan and contributors to the United States Social Security Programme. The Council proposes that the gap between the benefits available to beneficiaries under the Plan and recipients of Old Age Security be narrowed.

(*d*) The Council suggests that to facilitate clerical procedures and to reduce the burden on employers close Government-Trade consultation take place and a system of reporting be adopted similar to that in use for employees' income tax.

(*e*) The Council recommends that both Federal and Provincial Governments use their best endeavours to ensure that the employers are not prevented from integrating the Canada Pension Plan with existing pension arrangements because of pressures from organised labour.

All of which is respectfully submitted,

RETAIL COUNCIL OF CANADA
A. J. McKichan,
General Manager.

Ottawa, Canada
January 14, 1965

(Meetings held during adjournment of the House)

MINUTES OF PROCEEDINGS

FRIDAY, January 15, 1965
(27)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 10:09 o'clock a.m. this day. The Joint Chairman of the Senate section, Senator Fergusson, presided.

Members present:

Representing the Senate: Honourable Senators Boucher, Fergusson, Lefrançois, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh—6.

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Côté (*Longueuil*), Francis, Gray, Gundlock, Howe (*Wellington-Huron*), Knowles, Laverdière, Leboe, Lloyd, Monteith, Morison, Munro, Prittie—20.

In attendance: Mr. J. E. E. Osborne, Technical Adviser to this Committee, and from the Canadian Welfare Council, Miss Marian Murphy, Secretary of the Committee on Aging, and Messrs. B. M. Alexandor, Q.C., President; Eric Hardy, of Eric Hardy Consulting Limited, of Toronto, Chairman, special Canada Pension Plan Committee of the Canadian Welfare Council; Horace S. Racine, M.L.A. for Ottawa East, Canadian Welfare Council Board of Governors; Reuben C. Baetz, Executive Director; Brian J. Iverson, Executive Secretary, Public Welfare Division of the Canadian Welfare Council and Secretary to the special Canada Pension Plan Committee; Dr. R. E. G. Davis, former Executive Director.

The Joint Chairman introduced Mr. B. M. Alexandor, Q.C., who, in turn, introduced the members of his delegation.

Mr. Alexandor read a prepared statement and Mr. Hardy presented a summary of the brief submitted previously for distribution. The witnesses were questioned thereon.

On motion of Mr. Munro, seconded by Mr. Francis,
Resolved,—That the brief, previously submitted by the Canadian Welfare Council, be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix A9*).

The examination of the witnesses being completed, the Joint Chairman thanked them.

On motion of Mr. Munro, seconded by Mr. Knowles and agreed unanimously,
Resolved,—That a vote of thanks be extended to the delegation of the Canadian Welfare Council for its contribution.

At 12:45 o'clock p.m. the Committee adjourned until 2:30 o'clock p.m. this day.

21742—1½

AFTERNOON SITTING

(28)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reconvened at 2:38 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (High Park), presided.

Members present:

Representing the Senate: Honourable Senators Boucher, Denis, Fergusson, Lefrançois, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh—7.

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Côté (*Longueuil*), Francis, Gray, Knowles, Laverdière, Leboe, Lloyd, Monteith, Morison, Munro, Prittie—18.

In attendance: From The Congress of Canadian Women, Mesdames: Helen Weir, National President; Violet Dewhurst, National Secretary; Alice Magis, from the National Executive; Gertrude Lakso, representing the Finnish Women; Mary Prokop, representing the Association of the United Ukranian Canadians; Blanche Gélinas, representing, as Chairman, La ligue des femmes canadiennes and from the Senior Women's Committee for Pension Increase, Mesdames: Ethel Neilson, Chairman; Margaret Bradly, Secretary Treasurer; Ilda Murray, member and Messrs. G. N. Watson, F.S.A., Robert J. Myers, Chief Actuary, Social Security Administration of U.S.A.

Also in attendance: Mr. J. E. E. Osborne, Technical Adviser to this Committee.

The Joint Chairman introduced Mrs. Helen Weir who, in turn, introduced the members of her delegation. The witness then read a prepared statement and was questioned thereon.

On motion of Mr. Chatterton, seconded by Mr. Monteith,

Resolved,—That both the brief previously submitted for distribution, by The Congress of Canadian Women and a Statutory Declaration of Mrs. Violet Dewhurst, be printed as appendices to this day's Minutes of Proceedings and Evidence.

(*a*) Brief submitted by The Congress of Canadian Women, (*See Appendix A10*).

(*b*) Statutory declaration of Mrs. Violet Dewhurst, (*See Appendix A11*).

The examination of the witness being completed, the Joint Chairman thanked the delegation and Mrs. Weir who retired.

Then Miss Ethel Neilson, Chairman of Senior Women's Committee for Pension Increase, spokesman of her delegation, was called. She read a prepared statement and was questioned thereon.

The Committee agreed unanimously that the brief previously submitted by the Senior Women's Committee for Pension Increase be printed as an Appendix to this day's Minutes of Proceedings and Evidence, (*See Appendix A12*).

Having completed her evidence, Miss Neilson and her delegation were thanked by the Joint Chairman and they retired.

Finally, Mr. W. M. Anderson, F.S.A. was recalled and questioned thereon.

His examination being completed, Mr. Anderson was thanked by the Joint Chairman and he retired.

At 5:15 o'clock p.m. the Committee adjourned, until 10:00 o'clock a.m. on Monday, January 18, 1965.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

FRIDAY, January 15, 1965

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mrs. Rideout and gentlemen, we have a quorum.

As you know, we have the representatives from the Canadian Welfare Council before us this morning, and their brief will be presented. The brief, of course, has been circulated to all of you.

I do not suppose the Canadian Welfare Council needs much introduction to a group like this. But, I would like to say that they are a voluntary association made up of members not only of private and public agencies but of church and citizenship groups, business organizations and labour organizations which are affiliated with them. These are mostly people who are interested in social welfare in Canada.

Mr. Alexandor, the president, is going to present the brief. I would like to tell you that Mr. Alexandor is an outstanding member of the Ontario and Quebec bars. He has been made a Queen's counsel in both provinces. In addition to this, Mr. Alexandor has been very active in local and national organizations which have charitable or cultural objectives.

I will ask Mr. Alexandor to introduce the rest of the members of his group. I am sure, Mr. Alexandor, that you do understand how this committee usually operates. We have read the brief and at this time we would like you to give a summary of it rather than read it. You can bring out the highlights in your brief. Then we would ask that you permit yourself to be questioned by the members of this committee. Perhaps you will introduce the remainder of your group at this time, Mr. Alexandor.

Mr. B. M. ALEXANDOR, Q.C., (*President of the Canadian Welfare Council*): Thank you very much, Senator Fergusson. Ladies and gentlemen, for convenience I think I will introduce these gentlemen in the order in which they appear. On my immediate right is Mr. Eric Hardy, a member of our Board of Governors. Mr. Hardy is from Toronto. He was chairman of the special committee of the Canadian Welfare Council set up to study Bill No. C-136. Next to Mr. Hardy is Mr. Brian J. Iverson, executive secretary of the public welfare division of the Canadian Welfare Council. Then follows Mr. Ruben C. Baetz, the executive director of the Canadian Welfare Council, and then at the corner, Mr. Horace S. Racine, member of the board of governors of the Canada Welfare Council, a member of the executive committee, and a member of the legislature of the province of Ontario.

Mr. KNOWLES: Madam Chairman, I wonder if Mr. Alexandor could give us the names of those in the bleachers.

Mr. ALEXANDOR: Mr. Dahl, information officer of the Canadian Welfare Council; Dr. Hamel, who performs many functions in the Canadian Welfare Council; Mr. Gamble, director of administration; Miss Murphy, who also performs various functions on the staff, and Miss Godfrey, a member of the Special Project Branch. Sitting behind Miss Godfrey is Mr. Davis, who for 17 years was executive director of the Canadian Welfare Council. Mr. Davis is here as a private citizen, and we do not know whether or not he supports us now.

Madam Chairman and Mr. co-chairman, ladies and gentlemen;

The Canadian Welfare Council is gratified to have received an invitation to present its views on the Canada pension plan. Our recognition of its fundamental importance has been recorded in the written submission which I believe was circulated some days ago to each member of the committee.

The task which your committee faces is certainly not an enviable one. As has been widely acknowledged, Bill No. C-136 is one of the most complex pieces of legislation to have appeared in recent years. It requires the most careful study not only if one is to understand the inner workings of the pension plan but particularly if one is trying to assess the long-term implications. As you will have noted from our submission, we believe that it is essential for the joint parliamentary committee to undertake such an intensive review in order to ensure that the Canada pension plan fulfils the high objectives envisaged for it.

The submission which you have before you is, I believe, self-contained and self-explanatory. I do not intend taking the committee's time to review it in detail although I would like to draw your attention to the council's basic position, and at the same time highlight certain changes which we have proposed. Our position is quite straightforward—we believe that the Canada pension plan can become a basic pillar—perhaps the basic pillar—of social security in Canada providing a number of modifications are made. In according the Canada pension plan this status we are not, of course, losing sight of other important programs such as family allowances, unemployment insurance and public assistance, as well as the whole area of medical care, all of which contribute to the security of individual Canadians and about which the Canadian Welfare Council has advanced proposals from time to time.

The modifications which we see as being necessary if the plan is to fulfil its social objectives are also straightforward—the extension of coverage, directly or indirectly, to as many Canadians as possible irrespective of their present status—and benefit levels which take into account social needs as much as equity among contributors. We believe that imaginative planning and modern-day techniques of administration make our proposals feasible once the necessary policy decisions have been made.

You will readily see that the specific recommendations we have made stem in large measure from the Canadian Welfare Council's obligation to those Canadians who are least likely to be able to provide for themselves and who are, therefore, the most likely to fall prey to the hazards of the modern industrial state and, for that matter, to even purely personal misfortunes.

We have noted that within the range of earnings covered by the plan the greatest degree of income security is provided for those at the upper end of the scale. We believe that the levels of benefits which will become available must be high enough to guarantee a socially-adequate standard of living for all beneficiaries, whether or not they had high or low earnings during their working lives. We recognize that to achieve this objective considerable subsidization will be necessary which, in turn, may require the use of general tax revenue. Our brief points out, however, that general revenue is already supporting the various public assistance programs, and that by providing for a greater number of Canadians under the Canada pension plan, there will be a reduction in the cost of public assistance which, in turn, will reduce the net additional cost of the modifications we have suggested.

Unfortunately, time and resources have not permitted the Canadian Welfare Council to measure precisely how many Canadians will be excluded from the Canada pension plan, although from our knowledge of the public assistance caseload and the number of Canadians earning less than $1,000 per year, it is clear that a significant portion of the population is affected. As you will

see from our submission, we have advanced certain proposals which we believe would minimie this undesirazble situation.

As I have already suggested, Madam Chairman, it is not my intention to review the submission in detail. I am sure that committee members will have questions they wish to direct to us. I would be remiss, however, if I did not draw your attention to a particular recommendation which appears in the document. I am referring to the recommendation found in paragraph 14. page 5, namely; the need for a comprehensive review of social security in Canada. As many honourable members will recall, the Canadian Welfare has been advancing this recommendation since 1958. We have carefully examined developments since then before deciding to urge once again that a royal commission or similarly-constituted review body be established to examine all facets of social security in this country. When the Canada pension plan is actually in operation, Canada will have most of the basic elements of a sound social security program. It is apparent, however, that in order to achieve the maximum benefit there will be an even greater need to relate the programs one to another—integration, if you will—in order that efficiency be ensured, gaps discovered, in short, the whole program rationalized. We do not know precisely at this point the form that such integration should take. In some cases, no doubt, new approaches through legislation wil be called for: for example, a federal public assistance act replacing the four pieces of federal legislation which now exist in this area. The four statutes are the Unemployment Assistance Act, the Old Age Assistance Act, the Blind Persons Allowance Act and the Disabled Persons Allowance Act.

In other cases, administrative agreements between the federal and provincial government may be required. We must not lose sight of the coordination needed between public and voluntary efforts, nor, indeed, between the field of welfare as we know it and other activities directed to social betterment: health, education and labour, for example. We are convinced that in a rapidly-changing society these questions are as vital as they are complex, and can only be studied appropriately by a review body which can command and enjoy the cooperation of all responsible governments and organizations. You will realize therefore, Madam Chairman, that far from apologizing for advancing this recommendation for a study again at this time, we are putting it forward in the strongest possible terms.

Finally, Madam Chairman, in saying again how pleased we are to be meeting you, I do want to emphasize that the views we have attempted to express in our submission, and the proposals and recommendations that have been made, have arisen from our desire that the Canada pension plan be made an even more effective social security program for an even larger number of Canadian citizens.

Mr. Hardy will be prepared to summarize briefly the proposals we make in our submission and after that representatives of the council will be quite prepared to answer, correctly, I hope, any questions you may have.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you, Mr. Alexandor. Would you proceed, Mr. Hardy.

Mr. ERIC HARDY (*Chairman, Special Canada Pension Plan Committee of the Canadian Welfare Council*): Senator Fergusson, ladies and gentlemen. We have not prepared a written summary of this submission, believing that the submission has some points of merit which are scattered through it. We hope that you have read the brief completely.

Madam Chairman, I would like to say one word before I start on the main content of the brief. It must be apparent to you that it is difficult for an organization like the Canadian Welfare Council to put together a brief which

contains a number of points of substance inasmuch as the council includes representation of such diverse sources on its board and various divisions.

Now, in a short period of time we got together a committee which contained spokesmen for the various interests concerned, and in my opinion we succeeded in reaching unanimity on a considerable number of important points because we shared a common interest in the welfare aspects of this measure, and that is emphasized in the brief, as Mr. Alexander has already stated.

In asking that there be a further review of the whole field of welfare after the Canada pension plan has been dealt with, we had in mind that it would not be constructive for the Canadian welfare council to be so critical of the Canada pension plan as to seem to suggest that it should not be amended and brought forward. But, on the other hand, we feel that the Canada pension plan picks up one aspect of welfare needs in Canada and leaves still untouched in a public sense a number of other welfare matters which, in the view of the council, have equally high or higher priority. It is in order that these other priority matters may be given prompt consideration that there is this proposal in the brief for a subsequent review body. We therefore say, on page 5 of the brief, that the council is in general agreement with the main objectives of the Canada pension plan as set out in the government white paper.

Then we go on to deal with a number of features of the plan, and in our criticism of the particular features of the plan we do not want you to lose sight of our general opinion that the plan has much merit and that we think it should go forward.

We deal with portability, and we say it is perhaps an obvious thing that a national plan inevitably involves portability. This is one reason for the council taking the position it has on the national plan because by inclusion in the plan proper or by the establishment of parallel machinery in particular provinces, we think that the kind of portability which the national effort makes possible is most important in a society in which we will be living.

Next we deal with the escalation feature in the plan, and we not only say that escalation is a good idea but we like to see the plan go further. When the scheme, as it is now laid out, comes into force, you will have an earnings index playing a part in the plan and you will have a pensions index which is a modification of the consumer price index. It is the contention of the Canadian welfare council that the earnings index should be used throughout as the escalation feature on the grounds that one is concerned not only with how much it costs a family to live, but with our expectations respecting how a family will live in society in relation to those in the earnings group.

We recognize subsidization in the plan as it is drafted, and we think that it is necessary and desirable. The council has not really concerned itself very greatly and very strongly in its submission with the semifunding method of bringing the plan into being other than in its implications for dispensing welfare to the people of Canada; but we do say that here, in the sorting between present and future contributors, there is an element of subsidizing, as we see it. There may be an element of subsidization if the plan does not continue to be self-sustaining from its own revenue sources; there may be then a general subsidization from the public revenues.

We are also aware of two other aspects of subsidization; the subsidization involved in the fact that there is a basic earnings exemption, and further that there are flat rate payments to orphans and that his constitutes a subsidization component, and there is a flat rate component in the graduated benefit to widows and disabled persons.

We are not quarrelling generally with all these elements in the scheme, but one thing that has concerned us as a council is the implication of the $5,000 ceiling. We deal with this further along in the brief. We do not suggest that the $5,000 ceiling is inevitably an unsatisfactory feature of the plan, but we

think that the plan as it now stands requires some modification of that $5,000 ceiling so as not to constitute a negative aspect in he whole scheme.

Nex in the brief the council goes on to deal with gaps in coverage and to support the general objective, which I am sure the members of the committee will share, that gaps in coverage should be progressively narrowed as one can find ways of doing this and that specific and orderly attention should be directed to this need. It should not be left to some chance future agency to pick this up, but that this should be looked at as one of the responsibilities to be met if the Canada pension plan is brought into being.

In considering this we took a look at those left out of the labour market. We say that eventually widows with children will come into a public benefit system under the plan, but not immediately, and it will be a long time before such families pick up the level of benefits that is envisaged eventually under the plan. This is a product of the quasi-funding method of introducing the plan, and it means that you can have families which, over a long period of time, will have to look to other means of public support, family allowances and the like. We wonder if there could not be some effort made to bring these people in more quickly than is envisaged in the plan as it is now drafted.

The council then expressed its concern with the position of low earners, of which there are a sizable number, who are below the minimum set for the plan. We do not say that you can operate such a contributory scheme without minimum earnings levels for admission to the plan, but we wonder if there are ways of bringing that minimum lower by perhaps some sharing of the contribution to the pension for those in an even lower level of earnings than those set out in the plan today. We say this is a matter for further study; we do not say that we, in the kind of work our committee has been able to do, have the answer.

The committee was concerned with the $75 flat rate pension. It has been aware of the special Senate committee on aging and of the evidence which has been brought before this committee indicating, in the opinion of responsible people, that $75 a month is not an adequate sole source of income for all people in all parts of Canada. There are a couple of ways in which one might go about modifying this. One thing which the Canadian welfare council has tried to emphasize is a focusing of attention on the family concept of welfare responsibility.

Perhaps there might be a modification of benefits for married couples from the summation of the husband and wife benefits, but in the same way there might be a raising of the minimum beyond $75 a month where you have single people in high cost of living areas. So again the council thinks this is a matter for further study.

It is not possible for a body like the Canadian Welfare Council to deal thoroughly with the question of excepted employment and to rule definitely on such a matter. On the face of it, one thing that seemed unfortunate to us was the intention to exclude the Canadian armed forces and the R.C.M.P. At the provincial and local level the police forces which are not provided by the R.C.M.P. would not be given this kind of special treatment.

We say to ourselves that Canada, as the sponsor of the plan, ought to be most specially concerned not to create groups of excepted employment which are not absolutely essential, if it wants to avoid the multiplication of excepted employment down through the provinces and into other parts of Canada.

The council is also concerned with something which is of interest to groups other than a welfare organization, namely, the proper integration of private pension plans with the Canadian pension plans. While this is not a central objective of our brief, we thought we ought to mention the point and present one example to make clear that we are not differing in our view from others who will, I am sure, present this point of view to you.

On page 14 we set out an example of the problem of integrating a private pension plan with the Canada pension plan. At the bottom of that page we say:

> Many private employers expect their female workers to retire at age 60. Unless such people are ready and able to obtain new employment elsewhere,—

And this is, for most, rather a remote possibility if looked at realistically—

> —they are denied the opportunity to make five to ten years' contributions to the Canada pension plan. In the transitional stages of the plan these contributions would yield much more than an actuarial return and the emloyer will therefore be blamed for the substantial loss in benefit if he requires the scheduled separation at age 60 to take place.

The next section deals with the adequacy of benefits. We acknowledge that this subject does not lend itself to easy and thorough analysis. We are concerned with particular categories of people, as they are affected by it. We are concerned with those at the low end of the income scale and whether their benefits are adequate.

We think it is natural that this scheme should not attempt to make the first retirement provision for people in high earnings brackets. There is reference to a cut-off point in the earnings level covered by the plan. It is the lower end of the scale with which we are concerned. We think there ought to be consideration given to a greater degree of subsidization into the lower earnings level, but not out of the contributory income in support of the plan.

We draw to your attention a number of such cases—the person who retires and has a dependant spouse of younger age in which case the dependant spouse would not be eligible for a pension benefit immediately; those who withdraw from the labour market before age 70. People do not necessarily make a free choice in respect of the time of their withdrawal from the labour market or the time at which they feel they must accept the pension plan.

The council makes a recommendation on page 17 that the full amount of the basic old age security payment, currently set at $75 per month, be made available to those who retire between ages 65 and 69, and to their dependant spouses provided that, on an earnings test basis there is no reduction called for in the wage related portion of their pension. So, the $75 payment would be confined to those who are out of the labour market and whose earnings are limited as defined in the Canada pension plan. Not only is this something which becomes particularly important in the transition period, but the Canadian Welfare Council suggests that it is an alteration which would make sense as a permanent feature of the plan after it has become fully operative.

We also have doubts about this whole concept of rdeucing the amount of Old Age Security pension available if you bring the age back downwards from 70 to 65.

Let us look at what we see as a trend of public benefit coverage in the fund; we see the age itself being lowered in the future from the age of 70, and we think it would be undortunate if by opening up the earlier age at a reduced level you slowed down the other process of the bill—the full benefit as an available form of pension benefit at a lower age—if this becomes possible in future years.

Then the council goes on to question the adequacy of benefits for those qualifying for the disability pension under the Canada pension plan, and similarily for the orphans' benefits, where it is the belief that there should not be a limitation on benefit according to family size.

Now, earlier I mentioned the $5,000 ceiling, and the fact that the Canadian welfare council had some concern about the implications of setting this as a limit not only on benefits but on contributions. In our consideration of this

subject the suggestion was made that one might like to eliminate the $5,000 earnings as a limit on contributions but not on benefits. This is not easy to work out. What we have in mind as a practical approach to this is to see that there are certain elements of equity in the Canada pension plan, if further benefits are built in for those who have lower earnings and special dependant requirements, so that a portion of the cost is made from general revenue and hence from general taxation. If you identify a portion of your total cost to be financed in this manner and if we continue to have a personal income tax with a progressive rate structure, in effect you are doing what is wanted here; you are putting the additional cost of this on persons with high personal earnings, but you do it through their general income taxation rather than in the earmarked contribution of the plan itself.

Then the council goes on to concern itself with the review procedures. At the bottom of page 20 we propose that the phrase "the state of the Canada pension plan investment fund" be deleted. The reason for proposing this deletion is that it seems to the Canadian welfare council that it would convey the wrong concept in respect of the composition of the committee if this point is picked out and stressed. We think this requirement will and must be made, but ought not to be linked with the composition of the committee members.

In relation to review, it is suggested that more precise provisions be made for the presentation of review material by the advisory committee and that a more careful wording be incorporated in the legislation with relation to the composition of that advisory committee. Then we mention the problem of the appeals procedure as it applies to the person without resources, without money to obtain the best legal help. Perhaps we are getting into the ombudsman here, but we think one of the functions of this advisory committee should be to look at the appeals procedure in an effort to ensure that there are not hardship cases which are not dealt with.

Finally, the council deals with the need for complementary programs—public assistance programs of various sorts—and it sets as an objective that such complementary programs should endeavour to be complete, adequate, and deal with Canadians with dignity, as we believe the Canada pension plan can and will do if modified in the directions which our brief proposes.

I think, Madam Chairman, that this is a sufficient summary to lead into the questions.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much, Mr. Hardy. The first person who has informed me he wishes to ask questions is Mr. Knowles.

Mr. KNOWLES: Madam Chairman, I am glad I have this opportunity of expressing, not only on my own behalf but on behalf of all members of the committee, our appreciation of this excellent brief which has been presented to us by the Canadian welfare council.

Like you, Madam Chairman, and like other members of the committee, I am aware of the processes through which this council has had to go in drafting a brief such as this. To those who know this process this brief is made all the more significant because of the position it takes.

My first question relates both to what Mr. Alexandor and Mr. Hardy have referred to as the most important point they are making, namely, the request that there still be undertaken a thorough review of the whole problem of social welfare and social security in Canada along the lines of the statement that your council adopted in Montreal on June 2, 1958.

Am I correct in taking it that you feel very strongly about it and definitely want to have it done, but you are not suggesting that the Canada pension plan be delayed until that review has taken place?

Mr. ALEXANDOR: That is correct. We do not say that the committee will have time or resources to carry out such an extensive review or survey, as we have recommended and continue to recommend.

Mr. KNOWLES: For my part I am hoping that we may take advantage of it and pass the Canada pension plan in some form, and that it will not act as a delay.

Mr. HARDY: Within the range of Canadian welfare requirements covered by the Canada pension plan we hope you will undertake a thorough review through this committee. We do not want this committee simply to hurry through its work and then ratify a plan. We think a thorough review is needed to cover the remaining welfare field, and to integrate it with the accomplishments of the Canada pension plan when adopted.

Mr. KNOWLES: I could not agree with you more. Now I would like to ask a question about the sentence in your brief which I think is the most important one. I may say that I read this brief in bed last night, and it was to me a moment of great excitement to find this sentence in paragraph 23, which reads as follows:

> Those in receipt of retirement or supplementary pensions should be assured a share of the increasing productivity of this country.

I was pleased to note that both of you gentlemen laid emphasis on this and pointed out that the cost of living index in your view is not a sufficient basis for increasing pensions. Mr. Anderson, who has had many years of service on your welfare council, took a similar position yesterday. Am I correct in drawing attention to this a moment as an important part of your thinking about old age security?

Mr. HARDY: In so far as the committee was concerned, we spent a lot of time on this subject and discussed it quite thoroughly. It was very important to the committee which produced the brief, and I have no reason to believe that the executive committee of the council felt differently when we cleared it with them in a session lasting three or four hours.

Mr. KNOWLES: This takes me back to my final comment which I think is very significant, and I hope the committee pays attention to it. I would couple with it the views you expressed under the heading of subsidization in paragraphs 25 and 26, and your support of the principle that there should be a redistribution of income. May I ask you about paragraphs 34 and 35 where you refer to the question of the adequacy of the $75 a month retirement pension which is provided under old age security? Although you do not specify an exact figure higher than $75 a month, am I right in interpreting your position as believing that there should be an increase in the basic flat rate pension?

Mr. HARDY: Yes, this was the position of the council. We felt that there should be something more than $75, we felt there should be an increase. We were afraid that this objective might get lost in the adoption of the Canada pension plan which ties the thing to the current $75 a month to start with.

Mr. KNOWLES: Let me assure you that there are members of this committee who will see to it that it does not get lost. I welcome this statement. There have been suggestions made before this committee to the effect that there will be too wide a gap between this and old age security for those who are on both old age security and Canada pension plan benefits. Some even suggested that the gap be narrowed by reducing the Canada pension plan benefits. But I like your suggestion much better. There are many other sections on which I would like to comment but I now defer to other members of the committee after confining myself to one more question relating to your proposal in paragraph 45 on the effect of the full amount of the old age security which is currently $75 a month. I take it that that reference leaves the door open to raising it.

Mr. HARDY: Yes, indeed.

Mr. KNOWLES: With respect to making it available to those who retire between the ages of 65 and 69, I do not need to say that I welcome this suggestion, but I would like to be made clear about this point. You seem to be saying that you would like $75 a month paid to persons at the age of 65, provided that they are getting Canada pension plan benefits at the same time and are not suffering any reduction in their Canada pension plan benefits on the basis of the earnings test that is in the plan. What I would like to ask you is this: Would you not agree that persons who retire at 65 who are out of the labour market but who are not getting anything from the Canada pension plan might also get $75 at age 65? Would that not come in effect under your definition, even though you have not specified it, provided that they meet the earnings test of the Canada pension plan?

Mr. HARDY: I would think that this is our general position, yes; that this is the direction in which the legislation ought to move.

Mr. KNOWLES: And you would also include dependant spouses in this case. Would that apply to a dependant spouse who might be of a younger age?

Mr. HARDY: Yes.

Mr. KNOWLES: These answers are so good that I think I shall pass now, Madam Chairman.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Before we go on with the questioning, for which we have a list of people who wish to speak, let me say that I overlooked a suggestion when Mr. Alexandor and Mr. Hardy had concluded their presentations, that the brief presented to this committee be made part of the minutes today.

Mr. MUNRO: I so move.

Mr. FRANCIS: I second the motion.

The CHAIRMAN (*Mrs. Hon. Fergusson*): It has been moved and seconded that the Canadian Welfare Council brief be made part of the minutes of today's meeting. Is it agreed?

Motion agreed to.

Mr. PRITTIE: Unlike my colleague, Mr. Knowles, my bedtime reading does not consist of briefs, especially when I have as much trouble as I had last night in trying to get to sleep. But I have one question of the delegation, and before I ask it I would like to ask you a question. I was most impressed with the section of the brief which dealt with gaps in coverage and the adequacy of benefits. Perhaps I should know this, but I am not quite sure of the terms of reference of this committee. It seems to me that some of the problems which the welfare council has pointed out in earlier delegations cannot be handled within the scope of the Canada pension plan, even though some changes are made. There are other general welfare measures such as the flat rate old age pension to be provided for people at a lower age. Might I ask if this committee is competent to make recommendations concerning matters which are not covered by the bill before us?

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not think so. Would you like to have the terms of reference read?

Mr. PRITTIE: Perhaps it might be well.

The CLERK OF THE COMMITTEE: The orders of reference read as follows:

MONDAY, November 16, 1964.

Resolved,—That a joint committee of the Senate and the House of Commons be appointed to consider Bill No. C-136, to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors;—

Mr. KNOWLES: That is pretty wide.

Mr. MONTEITH: Is that last part not merely a description of Bill No. C-136 presumably?

Mr. PRITTIE: There is some scope there, but I think the fact that these things are pointed out in the brief of a national organization is of value here.

Mr. KNOWLES: May I be permitted to say that in 1950 the committee on old age security had terms of reference which seemed to be tied to old age security, yet in our report we included a section dealing with other needs to which we thought parliament should give consideration. So as a model, we might look to it.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I am sure we have already had other evidence which did not seem to be within the terms of reference of this committee, but we thought that it was of some interest to us.

Mr. LLOYD: I would like to observe here that I do not see how you can possibly comment in any report to the House of Commons in any comprehensive fashion without observing other areas of activity in social welfare. I think it is in this way that we may get ourselves involved in a proper relationship of the Canada pension plan to the other areas of social welfare. Therefore, I think it falls within the scope of our examination. We cannot precisely recommend what should be done in other areas of effort, but certainly we can comment on the relationship of the Canada pension plan to them.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you.

Mr. PRITTIE: I suppose this could be a matter of discussion after the delegations are finished.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes, this is not the time to discuss it.

Mr. PRITTIE: I am not quite clear about the $5,000 ceiling. You rather plainly suggested that perhaps people who earn over $5,000 should make greater contributions and thereby derive greater benefit than that which is proposed at the present time.

Mr. HARDY: No, this was not the position of the committee. Perhaps I misled you in my opening remarks.

We considered a number of alternatives in relation to some dissatisfaction with the $5,000 ceiling as it now stands and applies to both contributions and benefits, and as it relates to a plan which seems to leave some inadequacies and gaps in coverage.

Our thought was that if one identified areas of subsidization to those in the low earnings sector or to those with particularly high living costs, one might then lift that cost or part of it out of the contributory scheme financing and pay for it from general revenues, which would have the effect of putting a substantial proportion of the burden upon those with high personal incomes; and that was our reference.

Mr. PRITTIE: By means of income tax?

Mr. HARDY: That is right.

Mrs. RIDEOUT: Madam Chairman, I would like first of all to say that it was very refreshing to hear that the Canada pension plan has merit and should go forward. I agree.

I would like to refer to paragraph 51 in which the council expresses concern at the level of benefits that may be payable to widows, and I share your concern.

Does the council not support the government's objective in leaving some scope for private insurance companies in private pension plans so they may operate, too, and does it believe the Canada pension plan should try to provide all the income a survivor or a retired or disabled contributor might need?

Mr. BRIAN J. IVERSON (*Executive Secretary, Public Welfare Division, Canadian Welfare Council; Secretary to the Special Committee on the Canada Pension Plan*): Madam Chairman, perhaps I may attempt to answer this question by saying the tenor of the brief in respect to the adequacy of the benefit levels reflects the council's view that the levels provided in all cases—and I believe this was referred to by Mr. Hardy—should be adequate to ensure a reasonable standard of living. This, I think does not preclude the opportunity for private planning.

Mrs. RIDEOUT: What is your interpretation of a reasonable standard?

Mr. IVERSON: Something other than $39 a month.

Mrs. RIDEOUT: That is the minimum.

Mr. IVERSON: We could not see the point, in the committee examining this, of introducing an amount that would not enable recipients to live at a reasonable level. Therefore we argued that throughout the plan the floor had to be adequate to the related portion, and we mentioned this also in respect of the $25 a month flat rate payment to orphans.

In itself, this guaranteed amount, so to speak, does not provide a minimum reasonable standard of living, which was the objective of the government as set forth in the white paper. We may have interpreted it somewhat differently from the plan, particularly at the lower end of the earnings scale.

Mr. HARDY: It seems to me there is a distortion in suggesting you need to get into a contributory scheme where you provide a substantial public pension provision opportunity for those earning $5,000 a year and yet you have widows with this degree of benefit flowing out of the plan. There is a distortion in priorities and objectives.

If you feel you must have a contributory scheme that goes this far in one direction, that is taking business away from private pension plans there; yet on the other side you can point to these cases where people without an opportunity to make their own provision in a private way get such a small amount of benefit under the public plan.

Mrs. RIDEOUT: You are suggesting then, that there should be provision for a much higher benefit for a widow.

Mr. HARDY: We would say higher, certainly, yes.

Mr. MUNRO: I would like to reiterate the thoughts of Mr. Knowles and say what an excellent brief the Canadian Welfare Council has presented to the committee, and I would also like to endorse Mr. Knowles' position as far as discussion of old age security is concerned, because I think if we were ever in a position where any discussions pertaining to old age security were not relevant it would be a very severe stricture indeed on the committee in a proper consideration of this bill. I think the old age security provision and the evolution of old age security and what it may be in the future, and perhaps what it should be in the future, was a prominent consideration in the minds of the framers of this particular legislation. So I certainly have no objection to the recommendations and consideration by the welfare council of old age security.

The welfare council, Madam Chairman, as I understand it, has been advising the government on welfare needs over the years, and their helpfulness has made a great contribution.

One thing does occur to me as a result of the questions Mr. Knowles asked regarding the recommendation of the welfare council that old age security benefits should be increased. I understand in answer to Mr. Knowles they said they felt that $75 should be available to those between ages 65 and 70.

Mr. KNOWLES: Those who are retired.

Mr. MUNRO: Yes, to those who are retired.

I wonder if you can tell me whether the welfare council at any previous time has advised the government in this connection.

Mr. HARDY: Yes, the 1958 statement on social security for Canada took that position, and that was placed before the government.

Mr. MUNRO: What was old age security at that time, in 1958? It was $46 and $55.

Mr. HARDY: In 1955 it was raised to $55.

Mr. MUNRO: And then since the old age security was raised from $65 to $75 a year ago has the welfare council recommended a further increase to the government?

Mr. HARDY: No, but you must look at the recommendations which are here, of course. These are recommendations to the government.

Mr. MUNRO: When the pension was at $65 did the welfare council at that time indicate to the government that it should be raised above $65 to the current level of $75?

Mr. HARDY: There was no recommendation for an amount above $65 but the need for review and upward revision from time to time was recognized.

Mr. ALEXANDOR: At that time we said in our third recommendation that provision should be made for a continuing review and periodic consideration of adjustment in the amount of the universal flat rate pension, on the basis of adequate statistical data, related to such important considerations as minimum needs and relevant expenditure of older people.

Mr. MUNRO: Well, we have been raising the old age security in line with the recommendations. I think you will agree with that.

Mr. HARDY: Yes.

Mr. MUNRO: On page 15, paragraph 41, the welfare council has brought out this point, and I quote:

> Within the range of incomes which come fully within the plan, the Canada pension plan provides the greatest degree of effective income security to those at and toward the upper end of the earnings scale.

That, I take it, is speaking in dollar terms. I agree that element should be considered.

I also wonder if the council have worked this out in percentage terms. I am speaking of percentage terms of retired income as a result of a combination of old age security and the Canada pension plan with the income of the particular individual during his earning years.

Mr. IVERSON: Madam Chairman, the answer is no; we did not work this out in detail except to make certain observations which were reflected in the brief.

I think you will notice that at one point we recognize that a combined pension of $101 a month available to someone with an earnings record of $200 may be considered substantial in relation to his previous economic worth, which I think is getting at your question. Our argument, of course, is that this may be only barely adequate for his social need.

The second part of your question, I believe, relates to the relative cost of the benefit to previous income, and it is true, and it is noted, that because of the $600 exemption the person at the lower end pays a smaller portion towards his benefit than the person at the $5,000 end although, as Mr. Hardy has pointed out, beyond that the proportion of income going into the plan from anyone over $5,000 starts to decrease, and from the point of view of subsidization a regressive relationship starts to take over.

Mr. MUNRO: This conclusion has been reached as a result of combining the old age security and the benefits of the Canada pension plan?

Mr. IVERSON: In all cases.

Mr. MUNRO: In using your $101 example you are taking a single man at $200 at age 65.

Mr. IVERSON: I am sorry, Mr. Munro, but I did not hear your question.

Mr. MUNRO: In respect of your $101 example you are taking a man, say, earning $200 a month average earnings up to age 65, who retires and gets $101 a month. Is that right?

Mr. IVERSON: That is correct. Madam Chairman, I think one point needs to be made here; in presenting views involving dollar amounts you have to decide whether or not you will look into the future and calculate your escalation. We have not done this; we have taken 1965 dollars and prices and, therefore, used the data available in the official publication of 1964 white paper and so forth. But, we have combined both the proposed prorated old age security of $51 plus the 25 per cent wage related benefit, which assumes a 90 per cent satisfactory earnings record at $200 a month.

Mr. MUNRO: In your example, this $51 retirement would be 51 per cent of his average earnings during his lifetime.

Mr. IVERSON: That is correct.

Mr. MUNRO: Since the council has dealt with this area of proposed benifits favouring the higher income earnings I would like to quote some examples here and then get your information. You were using the 65 year age; in my examples I am going to use the 67½ age of retirement, assuming that may be a fair medium. My figures would indicate that a single man earning $100 a month, retiring at age 67½ years, would receive, combining old age security and the Canada pension plan, $88, or 88 per cent retirement pension compared to what his average earnings will be in his lifetime; a man earning $200 a month would received $113, or 57 per cent retirement compared to what he was earning during his lifetime; the man earning $250 a month would receive $126 or 50 per cent; a man earning $300 a month would receive $138 or 41 per cent, and a man earning $400 would receive $163 or 41 per cent.

I would like to do the same for the married couple, assuming both retired at age 67½. A man earning $100 a month, counting his wife, who is not a wage earner—I am just taking the man—would be receiving $151 a month or 151 per cent of what he was earning during his lifetime; a man earning $200 a month, counting his wife, would be receiving $176 or 88 per cent of what he was earning during his lifetime; a man earning $250 a month would receive $189 or 76 per cent of what he was earning during his lifetime; a man earning $300 a month would receive $201 or 67 per cent of what he was earning during his lifetime, and a man at the top of the scale, earning $400 a month, would be receiving $226 a month or 57 per cent of what he was earning during his lifetime. Now, those figures would indicate to me that by combining the old age security and the Canada pension plan there is considerable weighting in favour of the lower income group. But, I would like the opinion of the council whether they felt this was adequate, or whether they agree with these figures and these percentages or, perhaps, whether they feel there should be changes in them or that they should be increased.

Mr. HARDY: I wonder if we should begin this way, in dealing with Mr. Munro's question. In respect of this paragraph and talking about the position of those in the lower and upper ends of the earnings scale within the range covered by the plan—that is, up to $5,000—we are accepting the position that even though this is a contributory plan this is, in effect, a public plan to meet a basic need of Canadians, and one would believe that many people will supplement this plan with their own private arrangements. We are not

suggesting that there is less wrench of adjustment for those in the upper income portion of the scale covered, the $5,000 end of the scale, if they have not made any other private provision, than there is at the lower end of the scale. Our concern is to look at actual cases of inadequacy of provision under the public plan affecting those individuals and families who are less likely to be able to supplement the public plan provision with private arrangements beyond them. So, we are not trying to make the point that the relationship to past earnings is going to be satisfactory to us in the upper end if they do nothing else. We do not believe this is so.

Mr. MUNRO: In your comments I think your words were that by a summation of the old age security and the Canada pension plan principles this end that you have in view, could be accomplished by minimizing, I think was the word you used, the benefits at the higher level. Did I misunderstand you?

Mr. KNOWLES: That was last night.

Mr. HARDY: I do not remember that one coming from our delegation.

Mr. MUNRO: Well, I made a note of it, when you said it, on the brief. That is what I took from your comments. But, I might have been wrong.

Mr. HARDY: That certainly was not indicated. I do not believe that was mentioned.

Mr. MUNRO: I hope the members of the committee do not mind me pursuing this point but I would like to get to something more specific in the sense, say, of a man earning $200 a month, and I would like to know what the welfare council's recommendation would be. Take the one example, a man and wife, assuming they retire at age 67½; the figure would be $176 or 88 per cent of what their average earnings were during the man's lifetime. In respect of that particular example how does the council feel?

Mr. HARDY: I think you are asking us to present as a council decision a precise response to a detailed question which we have not had an opportunity to put before our council. We have tried to state a general position, to state the general areas where we think there is inadequacy and the areas where we think further study should be undertaken and modifications ought to be introduced. I do not think I could say that our special committee, and I do not think that Mr. Alexandor could say, that the welfare council has a precise opinion on the last example you quoted to us, Mr. Munro, and I do not think this can be expected of us in the timing of this operation.

Mr. MUNRO: I just want to say that I am not indicating any disagreement at all with the recommendations of your council in respect of its conclusions, but I think it could be said that if the Canada pension plan went through as it is, with increases in the old age security, as you have recommended, this would be a further weighting factor in favour of the low income groups, which would increase this 88 per cent considerably. Do you agree with that? That would be, in effect, the end result of the recommendations you are making today. Is that what you would recommend?

Mr. IVERSON: Madam Chairman, I think it is obvious, if I might say so, that any increase in the flat rate component, depending on your point of departure, provides a higher degree of subsidization for those at the lower end of the scale, which has been one of our main arguments in respect of where we see the need for improvement.

Mr. MUNRO: Madam Chairman, I would like to turn to paragraph 32 of the council's brief in respect of low earners, which says:

> It would seem self evident that those with earnings below the Canada pension plan minimum are most in need of added old age and other forms of security. The Canada pension plan is based upon the as-

sumption that people should be afforded supplementary provision for old age beyond the flat rate benefit of the old age security payment and that, over a period of 10 years, this development would be brought about.

Now, I presume when you are referring to the older wage earners there, as far as the Canada pension plan is concerned, you would be referring to those income earners who would be earning less than $600 on the outside scope of the plan during their working lives— that is, less than $600 a year—or, in the case of the self-employed, less than $800 a year.

Mr. HARDY: That is correct, and you could have people who are in that position until their retirement time.

Mr. MUNRO: Is it fair to say then in that example that these people would be earning less than $600 during their earning lives and yet under the Canada pension plan when they became 70 they would be receiving $900, $300 more than their earnings during their lifetime?

Mr. HARDY: Well, the concept of earnings is such that they might, in effect, have more coming into them than the $600. There is a monetary earnings concept in the plan.

Mr. IVERSON: I think Mr. Munro is pointing out a fact that has been before this committee at least once and was written into the evidence, namely that a $900 a year old age security is better than $600 a year casual earnings, and the council would certainly acknowledge this fact and say, "So what" from the point of view of social adequacy. I do not think that as Canadians we are particularly proud of the fact that many Canadians are required, for a variety of reasons, to exist during their working lives on cash earnings of $600 or less.

May I also just say that there is one other group with which we are concerned. This is mentioned in our brief only in passing. I am speaking of the group of low earners who may qualify over a period of years but not consistently. As we understand the bill as it is drafted, a situation could arise where there would be contributors under the plan who would not be entitled to all the benefits where there are particular eligibility tests. I am thinking, for example, of the recentness of contributions—so many years out of the last 10 years. You could have a group of low earners who are technically and actually under the plan but are still not fully protected. Of course, our concern here has been that, in addition to the retirement, which has been the main topic of this discussion, there are these important new elements of insurance for widows, the disabled and for orphans. Our committee was very concerned that the largest number of Canadian families receive this type of insured protection against these risks.

Mr. MUNRO: I agree with your comment "So what?" I think a man who receives $900 on retirement may have had earnings somewhere in the vicinity of $600 or considerably less during his lifetime. I certainly would not deny him the $900, but I would like the council's opinion on this. Perhaps your ultimate concern in that particular case should be for programs designed to deal with the problem of why this man has been such a low income earner during his lifetime. Any effort to deal with those people would have priority.

Mr. HARDY: Perhaps you have to recognize that this has supposedly been a priority program for a long time, and we still have such phenomena as the very short season of the winter port at Saint John and people sitting in the park through the summer enjoying their unemployment insurance. These conditions are not going to be eliminated in a crash program in two years or anything like that time. You are, therefore, going to have a considerable period of time when this other program will continue to exist.

Mr. MUNRO: I have one final question, Mr. Chairman. I will refer you to paragraph 28 of the brief.

> There are four groups that will not benefit at all from the plan as it is presently designed:
>
> 1. those who, for a variety of reasons, are unlikely to become attached to the labour market;
> 2. those who, while attached to the labour market, do not earn enough to be eligible to participate;
> 3. those persons (and their dependants) who have retired from the labour market; and
> 4. those excluded by reasons of being in excepted employment.

Have you any breakdown as to the numbers involved here?

Mr. HARDY: No, this was something we were not able to get together.

Mr. MUNRO: I take it you are not suggesting that all these people, especially those in 2 and also perhaps in 1, would be earning throughout their earning lifetime under $600 a year and therefore will always be outside the ambit of the Canada pension plan.

Mr. HARDY: No, but I think we are drawing a parallel to the principle which has been recognized repeatedly with respect to unemployment insurance that you want to broaden your coverage as much as possible. You do not want groups left out of any scheme of this sort. We do not know the number of those left out or the extent to which this will shrink after the pension plan has been in effect for a number of years, but it will be greater in the early years than later on. We are suggesting that these are areas which ought to be looked at. We are not suggesting that we can define precisely the numerical content of the problem.

Mr. MUNRO: I have one concluding statement to make. I would think these are the people to whom other programs should be aimed which would deal with the problem of why they are in such a category.

Mr. HARDY: Again our thought is that you have to look at two sides of the coin in all these cases; that is, you have your other program in which you are attempting to narrow down the group concerned. You know you will not be completely successful in that other program and therefore you have to continue in the area of a welfare measure to look at the people who will fall through the provisions. They are the people in trouble.

Mr. CANTELON: As a result of Mr. Munro's statement, I wonder if Mr. Osborne could get us some information at this point. Mr. Munro was quoting the income of husband and wife at an average age of 67½. I would take it that the average age of husband and wife is 67½.

Mr. MUNRO: I think that is correct.

Mr. CANTELON: What I am wondering is whether there is not an average difference between the ages of husband and wife across the country, and if it would be possible for us to obtain that information.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Osborne will get this for us. When do you want it?

Mr. CANTELON: There is no hurry, we do not need it this morning.

Mr. LLOYD: Madam Chairman, so much by way of detail has now been dealt with that I would like to go back to reiterating, if I can, some of the over-all approaches that the council makes to this effort of the Canadian government to establish an opportunity for Canadians to obtain pensions relating to their earnings. From reading your brief my immediate reaction is this: You say to us,—those of you who were involved in trying to maintain a family unit concept in our society—"Be sure you do not do anything in the Canada pension

plan that will create a road block to the achievements we are trying to accomplish with social case workers in Canada". You say, "We do not ultimately want social workers operating in the field as cheque writers". You want them to get down to applying their training in the field which they were designed to undertake. I think this is fundamentally what you are saying.

I see a confusion arising here between what we are trying to accomplish with the Canada pension plan, which is to provide an opportunity for any heads of families who have a sense of responsibility, who are quite willing to endeavour to provide through savings, if they possibly can, some security for an independent old age, and your approach when you say you find this field is not adequately and fully covered through the very laudable efforts of those in the private sector. However, when you look back to the 1960 report of the dominion bureau of statistics and you see that only 34 per cent of the labour force are members of private pension plans, you immediately recognize that a wage related scheme must be made available to heads of families right away.

What you have said throughout your brief is this: A shift in society has taken place; the government now provides the resources. A whole variety of agencies are involved in social case work and they need the tools with which to do their jobs. You say, "Be sure that you do not allow resources to be allocated to pension schemes without leaving us room, as it were, to devote something from all of the resources of the nation and from all those with incomes making contributions to those in need". This is really what you are saying, is it not?

Mr. HARDY: Yes, and I think we say one more thing, Mr. Lloyd. We say that one of the objectives of the Canada pension plans, or any other measure of this sort, must be to meet the straight financial need of an ever increasing group of families, even if they have the social need, a case work problem need, which has yet to be dealt with. It would be helpful if you could take a group of such families out of your problem area in so far as dollars are concerned.

We hope that the plan will be studied and revised in an effort to increase the extent of coverage of people in the lower income area. We certainly support your view that you must always complement any dollar distribution scheme with a social work plan.

Mr. LLOYD: I gather from all of the suggestions that you have made here, that there are a number of things that you propose; that is, there could be a greater and more refined effort in the general assistance field from general tax sources.

Mr. HARDY: Yes, but I think we see these people thrown into relief by the Canada pension plan in the first draft, if you will.

Mr. LLOYD: You have said, and I think I can only reiterate what you have said earlier, that the pension plan does represent a very laudable first step only. To further improve the field you need continuous involvement with the problem, and to make sure that you are on target continually you need two things. First of all you need a royal commission to bring you up to date as to where you have gone. You say this not only to the federal government, but you say this to all governments in essence, the federal, the provincial, and the municipal governments. You also say that with a royal commission you may be able to bring yourself up to date; that is, after you had this part of the effort in the pension field attended to you would be able to bring yourself up to date, but because of the changing nature of the element of our political economy and social arrangements in this country you say we must have a very vigorous and active advisory council to continue working with government in these fields.

Mr. HARDY: Yes. We also say because of the nature of the plan and its method of amendment with provincial concurrence, it is important that the plan as it first becomes law is not sharply deficient in any particular area. It is

on this basis that we recommend you move to the earnings index from the pension index before the bill becomes law.

We say you are putting into law something which will have a degree of rigidity which could be crippling if one is not able readily to meet the remaining need in ways in which the avenues of action are open.

Mr. LLOYD: If, for some other reason, we could not agree to the use of an earnings index along the lines you have proposed, do you say that at least we should not commit ourselves to price indexing at this stage; do you say that?

Mr. HARDY: We did not consider that alternative. If I were to comment on this, I would give you nothing more than a personal opinion. I think, perhaps, I will leave it at that.

Mr. LLOYD: Reflected in this report is an awareness that the resources of Canada are accumulated from all parts of Canada, because you talk about ability to pay for these social assistance programs. If a nation vests in a national government responsibility for contrilling the economy, imposing tariffs, regulating the banking and credit facilities of the nation, getting involved in international defence, and so on in essence you really are saying—and all of us, I think, agree—that in the social assistance field all the earners in Canada must be contributing to flat rate assistance in the social assistance program.

Coming from the maritime provinces, I am naturally very much concerned about this aspect of our approach to this problem. We share the view that we hope we can maintain this start in a national look at social assistance programs and that opting out by provinces would be disastrous to us. Would you care to comment on this aspect of our approach to this problem?

Mr. HARDY: I think we should have had you, Mr. Lloyd, on our committee because you, obviously, have given some thought not only to the content of the brief, but also in respect of how the subject matter might be put.

I would say this; the council always is and always must be aware of the dual responsibility in the federal, provincial, and by implication municipal levels for welfare measures in this country. Taking that as one's proviso, I think one can go on and say that the council does not object to federal leadership in the field in conformity with these conditions.

In respect of the question of opting out we, as a committee, did not look at opting out as such, but we did look at the Canada pension plan. As I mentioned, we considered portability to be something which happens automatically through a national scheme, but which has to be engineered, if it is in compartmentalized regional schemes which differ from the national scheme.

To that extent I think our committee dealt with this matter. I am not sure we discussed this fully in these terms before the executive committee of the council. Therefore, what I am giving to you in effect is some of the background thinking which developed and which is in a brief which was ratified by the executive committee of the council.

Mr. LLOYD: I want to make clear—I think Mr. Knowles has done this, but there is no harm in repeating it—that this federal nation of ours can discharge its function in the social assistance field only if there is uniformity across the nation with regard to our objectives. Is that a correct statement?

Mr. IVERSON: May I comment on that? I think an important new element has been introduced in both Mr. Lloyd's and Mr. Munro's remarks when, in discussing our brief, they mentioned that we stress the need for complementary programs. I think it might be observed that the council would take the position that the complementary programs are not only in the areas of public assistance and social service generally, but also in the broader social programs. I am thinking, for example, of the manpower consultative service, recently established, which in effect will have the responsibility, among its other responsibilities, to assist in the creation of a healthy type of socio-economic climate which can

support this or any other plan. There is the whole matter of a healthy economy, and certainly I do not think the council would want anyone to think we support this or any other measure in a vacuum.

We stress the need for a healthy society over-all in which these other things are fundamentally important. In the last two days we have read a report in which it is noted that 1,500,000 new jobs will be required by 1970. I think all of us would agree that this will take some doing, and that it is our job as Canadians to see that this is done. That has to develop if this or any other type of plan is going to function well.

We see this in the whole context of a total system and not just in the context of welfare and assistance. I think this is an important point to be made.

Mr. LLOYD: Thank you.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Is that all, Mr. Lloyd?

Mr. LLOYD: I realize that this morning I may be making some pretty general observations, but as a maritimer I am concerned about the preoccupation by certain levels of government with their parochial problems and their ambitions to in plant about ten governments in Canada where one would be most adequate for some things.

Mr. CHATTERTON: I hope we will hear from you on the opting out bill.

Mr. LLOYD: So far as I am concerned, I feel that any attempt to opt out is going backwards. We should find means of working as a national government in Canada.

Mr. CHATTERTON: Are you—

Mr. LLOYD: I would like to answer—

The CHAIRMAN (*Hon. Mrs. Fergusson*): Order.

Mr. LLOYD: I think—

Mr. KNOWLES: We are on Bill No. C-136.

Mr. LLOYD: Madam Chairman, I would like to make an observation in view of the comments and objections made. I think the council has made it clear to us, from their references to the kind of tax resources you should employ and where you employ them, that no comprehensive scheme of social assistance and pension can be achieved in any other way except on a uniform basis throughout Canada.

Mr. HARDY: If we are looking at the job which our committee did, and if we are looking at what the council is presenting before you, the committee did not discuss questions like opting out. Therefore, I do not think it is fair to read into our statement that we have dealt at length with this subject matter. The committee said something positively in respect of the Canada pension plan and the degree of coincidence of that plan with long stated objectives of the Canadian Welfare Council. That is what we dealt with and that is what we have put before you this morning.

Mr. CASHIN: The is a very good statement.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes; I think it clarifies the subject a great deal and the attitude of the Canadian Welfare Council.

Mr. CHATTERTON: Madam Chairman, we have had evidence that there perhaps is a greater need in respect of age beyond 75. You have mentioned the $75 should be made available at page 65. Have you considered an increase in the old age security, whatever it might be, at ages beyond 70.

Mr. HARDY: We have not recommended that. I can tell you this was a point brought up in the committee's discussion. However, the position we took was to make the recommendation with regard to the earnings index. We did not recommend an increasing level of benefit as age increases.

Mr. CHATTERTON: You made some very interesting recommendations. You recognized the fact that under the Canada pension plan there are higher benefits

to those in the higher income brackets. I think you said you recognize that those who consistently have been earning very little are in a poorer position to provide for retirement.

You suggested that those earning over $5,000 be brought into the scheme by way of income tax and a subsidized pension plan. Can you give us a forecast as to how it could be done, and on what basis it would be distributed to recipients under the Canada pension plan?

Mr. HARDY: What we are suggesting is that at least part of the special subsidization proposed for people with low credits and high requirements should be identified and financed from outside contributory plans as such although it might be called part of the plan, and it might be recognized that you would pour into the funds of the plan, from into the general treasury money to meet certain of these special requirements which it is not reasonable to meet on a contributory basis because there is too much transsubsidization involved if you did. But as to how it is paid in, it is paid for out of general revenues which we suggest stresses the personal income tax in this country.

Mr. CHATTERTON: Has your council made any kind of study of what the effect of the Canada pension plan will be assuming that the main purpose of the Canada pension plan is to help those retired, and other benefits, and what effect the Canada pension plan will have on those who do retire some years hence, or at the present time?

Mr. HARDY: Well, if I understand the question I think the answer is no, but I am not sure that I understand the question.

Mr. CHATTERTON: You have talked about gaps. It has been shown that in 1976 of the 1,880,000 Canadians who retire at the age of 65, te n years from now, 66 per cent of them would not benefit at all under the Canada pension plan. We would ask for confirmation from our own staff and for other periods as well.

Mr. HARDY: No, I think it is obvious that we have not undertaken studies of that sort, because we are not in a position to do so.

Mr. CHATTERTON: Your recognization is that old age security be dropped to 65, and that it would not affect the Canada pension plan but it would solve the problem of the high percentage of people included in that 66 per cent.

Mr. HARDY: We make that recommendation in two parts, and I think it should be recognized. We make a recommendation which might be called an immediate short-term goal of dealing with the whole condition of the labour market at 65, and of those who meet the earnings test; and we make a long-term recommendation that the question of the lowering of the age generally be looked at, and that consideration be given to the extent to which you might tie yourselves from lowering the general age by permitting the general pension to be taken earlier at a reduced amount. Those are the two points we make.

Mr. CHATTERTON: Your recommendation it seems to me fills certain big gaps in the Canada pension plan, particularly your recommendation to use the earnings index also, and if these recommendations are not accepted, I am interested in your recommendation No. 14 for the over all review of the whole social security set up in Canada. And if this recommendation and other recommendations should not be accepted, is there not a danger that if the government of Canada puts this plan into force there would be less cause and less pressure in the future to meet these gaps which are not met by the Canada pension plan? Do you not think it might have been better to have passed a comprehensive pension and social assistance plan which would substantially fill these gaps? In other words, do you not think it would be better to have an investigation made in advance of the passage of such important legislation, and would not the

passage of this plan tend to hide the difficulties of those still not covered by the plan?

Mr. HARDY: In part of what you said you seem to be paraphrasing the 1958 statement of the Canadian Welfare Council on social security. It was repeated as recently as 1961 or 1962 that there should be this comprehensive review of the welfare fabric of our country, and that this might take place before major decisions were taken in any sector of the welfare requirements for the country. We think it would be a negation today to continue to press for that objective, and therefore we say that in indicating support for the general developments in the Canada pension plan, which is implied, we want the government not to lose sight of the remaining objective respecting the other welfare requirements. We think in fact that this is something which ought to be reported in the strongest terms right now as the Canada pension plan is going through, as something that ought to happen next. We do not think that this recommendation on page 5 should be left to be dealt with only until after the Canada pension plan is law and has settled in. We think this could be dealt with now even though the timing of the action and recommendation is after the plan is through.

Mr. CHATTERTON: Do you not think that there is wide public acceptance of the pension scheme and that it meets the needs—I do not say the total needs, but of the major needs—of a very large number of people in Canada? Would this not be of concern for those not covered, if such a large group of Canadians are reasonably satisfied? Do you not think it represents that danger?

Mr. HARDY: There are two things I might say here. First of all, in introducing this submission we stress one recommendation to which Mr. Alexandor referred, as contained in paragraph 14, and we will not be unhappy if the press picks this up and recognizes it as a major point of stress in our submission to the government; and secondly, the Canadian Welfare Council has a continuing life. I believe you can count on their coming back to governments from time to time to remind them of things.

Mr. CHATTERTON: Neither of the previous governments seem to have accepted your previous recommendations.

Mr ALEXANDOR: In 40 years of making representations to government I think we can say that many of our recommendations have been implemented, not necessarily through our own efforts solely, but certainly from expressing a view which is shared by a large number of people in the great progress we have made in social welfare legislation in Canada over the last 40 years, and that this is a reflection of the efforts by people such as ourselves and others to see that the gaps are filled. We think that with the enactment of this legislation a big gap will be filled.

Mr. BASFORD: Thirty four of those years were Liberal years.

Mr. CHATTERTON: There is no doubt that the Canadian Welfare Council is one of the most powerful influences in this field.

Mr. MONTEITH: He simply said that the most active years were Conservative years.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are those all of your questions, Mr. Chatterton?

Mr. CHATTERTON: Yes, In paragraph 44 you indicate the case of a person who retires at the age of 61, when the pension he would have, including old age security, would be $101 a month, and that this would be 50 per cent of his earnings. Mr. Munro has repeatedly pointed out that the percentage that a man gets of his average earnings is considerably higher in the case of a man who has earned more than that including the O.A.S. percentage of his pension

at the time he retired in relation to his average earnings and he referred to fifty per cent. Has it been the experience of your council that a person lives better on a percentage than on dollars?

Mr. MUNRO: I also pointed out the dollars, but Mr. Chatterton did not quote them. Would you like to hear them again?

Mr. CHATTERTON: I learned them all by heart.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Is that your last question?

Mr. CHATTERTON: Yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you.

Mr. BASFORD: Now that Mr. Lloyd has given evidence I do not have very much left. As a member of the council I know the answer to that question, but I think it might be useful to have it placed on the record so that the maximum weight might be given to the your recommendation. I think it would be useful to have it on the record in more detail than we have had it in the past as to just who and what the council is.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Would you like to have this supplied? Do you wish to ask them to make a statement and have it put in the minutes?

Mr. BASFORD: I think I would like an enlargement of paragraph one.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are you prepared to give that?

Mr. ALEXANDOR: Mr. Baetz will deal with that.

Mr. BAETZ: Madam Chairman, though I could go on for the next two hours telling you what the council is, I can perhaps say very briefly that the council is a voluntary agency. It has a membership of some 500 agencies across the country in the social welfare field, in its broadest sense, including of course corrections, delinquency, family and child welfare, public and private agencies. I do not know whether the federal government would see itself as a member of the council, but it certainly contributes to the council and makes an annual grant, as do all the ten provincial governments on the basis of a population formula, as do some 60 municipal governments, as well as close to 500 private agencies. In addition, we have some 1,200 individual members who we like to think are opinion leaders in this country. There are some 350 national corporations which are members of the council.

As far as our work is concerned, the council has four major divisions: the division of public welfare; the division of family and child welfare; the Canadian corrections association, which works very actively with your Department of Justice; and the community funds-in-council division which is really the national association of all the community chests and united appeals throughout Canada, some 112 of them.

We have a commission on education and personnel which works very closely with the Department of National Health and Welfare in the personnel field, personnel training, for both public and private service. We have, in addition, a committee on aging, of which your co-chairman here has been the long time chairman and honorary chairman. This committee at the present time is sponsoring and organizing the first national conference on aging which will take place in Toronto one year from now.

Our council has a research department which undertakes various research projects on various aspects of social welfare. We have what we would like to think of as a department for public education, because we do believe that social legislation in the first instance is built on attitudes; and attitudes must change if social welfare is to change. So we see this as a very important part of our work.

In financing we receive roughly one third of our income from public bodies; that is, from municipalities, the ten provinces and the federal government. One third of our financing comes from the community chests and funds in the country; and one third comes from national corporations and membership agencies. We like to think that this one third, one third, one third split guarantees for us some degree of autonomy and independence.

Madam Chairman, this is perhaps a very very brief outline of what the council is and does. I might say, of course, that we always count on and hope for continued support from the federal government, financially as well as in other ways.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you, Mr. Baetz, I think it is very good to have this on the record.

Mr. MONTEITH: Is that a plea for an increase in this year's estimates?

Mr. BAETZ: We have just received an increase, and we are delighted to have it.

Mr. KNOWLES: I may add that if any members of this committee are not members of the council they can become individual members.

Mr. BAETZ: Yes.

Mr. BASFORD: Thank you, Mr. Baetz. I wanted this on the record because I wanted your recommendations to be given the maximum weight possible. I think it makes it somewhat difficult for some of the other groups who come before this committee to disagree with your recommendations.

You were discussing with Mr. Chatterton your executive committee's consideration of the changing of old age security to provide an increased benefit with increasing age. You considered it but did not make any recommendations. I am interested in knowing why you did not make any recommendations on that.

Mr. HARDY: I think it is a little difficult for me to try to read the minds of my committee members on this. I would say that we achieved more ready agreement in another direction than in this direction and that is the way in which we moved. But I cannot say why this idea was not picked up and treated with more enthusiasm than in fact it was.

Mr. BASFORD: I take it, then, that on the part of the members of the committee there was a good deal of reservation about the idea.

Mr. HARDY: Let us say that when we moved on to another course of proposed recommendations those people who had raised this idea did not pursue it.

Mr. BASFORD: I have just one other question.

You are concerned that the implementation of the Canada pension plan will be used by some as an excuse to say that we do not need to go any further and that we have all the answers in old age security. Would you not agree that certain of the experience in the United States with the establishment of social security has pinpointed the very gaps that social security leaves and has demonstrated the very areas where further action is needed?

Mr. HARDY: I am not qualified to answer that question on United States experience. I do not know whether any member of our delegation feels so qualified.

I think we will pass on that.

Mr. BASFORD: In answer to your concern, is it not reasonable to say that implementation of the Canada pension plan, which we all agree leaves some people unprotected, will itself show up those people who are unprotected, and will very clearly demonstrate the people for whom further action must be taken?

Mr. HARDY: I do not think it is automatically made clear who are the people in the gaps and coverage areas because you put certain measures into effect. This has not been my experience, and this is not the view, I take it, of the Canadian Welfare Council. They say you should consciously study and identify the gaps in coverage, and this is a continuing requirement.

I mentioned earlier that the council had hoped that there would be an over-all survey of the welfare need in Canada for the Canada pension plan, and it is a matter of shifting the timing. We think a positive line of action to identify and decide how best to deal with remaining gaps in coverage is a real responsibility of the Canadian people.

Mr. IVERSON: I wonder if I might observe also that there will be an important by-product from the advisory body in this respect, particularly if it is constituted as we have suggested, with particular responsibility to look at the plan in terms of people. Certainly that committee, either as a primary or secondary responsibility, automatically should bring to light the exclusions and shortcomings; and it would no doubt have advice to give the country on that point.

Mr. CHATTERTON: May I ask a supplementary question?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Chatterton.

Mr. CHATTERTON: We understand from other witnesses that very recently —within the last few weeks, I think—figures have been published by the dominion bureau of statistics. I wonder if we could ask if the welfare council could perhaps consider this matter. I think most of us are interested in this question of increasing needs with age. Your council perhaps could consider that before the passage of this bill.

Mr. BAETZ: I could only answer through you, Madam Chairman, that we certainly will take this under consideration because we do believe, as you do, sir, that this is an area that does need exploration. Certainly, this is something that might be explored and that might come out of the planned conference on aging, which will take place soon. It may also be the case that this is a field at which the Senate committee on aging has already taken a look; I do not know. I do not know how one asks, Madam Chairman, for some information on this point to a person in the room who I know could answer this.

Mr. KNOWLES: I suggest we read the paper that was presented yesterday. I assume we are both referring to Mr. Anderson.

Mr. BAETZ: No, I was referring to Mr. Davis.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I am sure Mr. Davis could answer, and as he is so closely associated with your group he may be considered as one of your witnesses.

Mr. R. E. G. DAVIS (*Consultant to the Senate Special Committee on Aging*): Madam Chairman, thank you for the privilege of speaking before this august body.

I think this question is well worthy of consideration but I do not think we have the facts on which to reach a decision at this point.

It is true that the dominion bureau of statistics has made some recent breakdowns which indicate average income age levels beyond 70, but even these figures are not very completely analysed. Even if you had the figures on income you have still the other side of the coin, namely the need. Are the needs of the man of 90 equivalent to the needs of a man of 70? We have made no studies in this country of living costs as they relate to older people. The Americans have done better in this regard than we have. We have no suggested budgets for old people. That whole field of living needs and costs has been absolutely neglected in this country up until now. I suggest this is

an element here as well as the income side which you have to take into account in reaching a decision on this matter.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you, Dr. Davis. For the information of any of the members of the committee, as Mr. Alexandor told you, Dr. Davis has been executive director of the Canadian Welfare Council for a very long time. For about 18 months, I think it is, he has been the consultant, for the committee on aging in the Senate. As Mr. Alexandor says, there is no one more knowledgeable, I suppose, in Canada than Dr. Davis. Would you proceed, Mr. Basford.

Mr. BASFORD: Do I take it, from your remarks, Dr. Davis, that we do not have nearly sufficient information on this point to make any sort of intelligent recommendation at this time?

Mr. DAVIS: That would be my view.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Would you continue, Mr. Baetz.

Mr. BAETZ: Madam Chairman, further to what Dr. Davis said, certainly you can get a picture, although an incomplete one, of the needs of these people in this old age bracket through statistics. You can get some picture, but the only way to get a real picture of their needs is to get, as we would call it, a slice of reality, that is, to interview people. This requires field work and a team of interviewers. Actually, you are getting into a research project, which we certainly would like to consider provided, of course, the funds are available.

Mr. MUNRO: Madam Chairman, if I might interject for a moment, I realize we will be going on for a further 15 minutes or so. However, this afternoon we have the congress of Canadian women before us. I do not believe their brief is too lengthy. Obviously, there are a great number of members who still have many questions to put, and I am wondering if the welfare council could be asked to come back at 2.30 this afternoon along with the others.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Would you suggest hearing the brief of the other group first.

Some hon. MEMBERS: Yes.

Mr. MUNRO: I think perhaps it might be advisable.

The CHAIRMAN (*Hon. Mrs. Fergusson*): You wish to know if representatives of the Canadian Welfare Council will be prepared to come back so that when we do finish with the other group we will be able to continue with them.

Mr. CASHIN: We already have another gentleman whom we asked to return.

Mr. MUNRO: I may be wrong but I do not think the congress of Canadian women will take very long.

Mr. KNOWLES: If you have only four more questioners on your list, Madam Chairman, perhaps it will not take too long.

Mr. LEBOE: Madam Chairman, I will not be too long.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I would like to make a comment at this time on what we have been discussing for quite a long time. It would appear to me that what the council is saying is that they realize there are gaps and they realize the committee's needs but they would feel it a very negative attitude if we, the government of Canada, said we will not do anything because we cannot do everything. Is that not right?

Mr. HARDY: Very much so.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Would you proceed, Mr. Leboe.

Mr. LEBOE: Thank you very much, Madam Chairman.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I am sorry, Mr. Francis was next on the list.

Mr. LEBOE: He is younger than I am; go ahead.

Mr. FRANCIS: I will allow you to precede me, Mr. Leboe.

Mr. LEBOE: Madam Chairman, I have a couple of questions to put. Do you think it is possible to keep this plan as a pension plan and, as you suggested, I believe, take care of all these other cases in other ways or under a complete welfare policy? I am thinking of the possibility of separating the pension plan and leaving it as a pension plan, and then dealing with this other matter, the old age security program, and then filling the gaps as is needed by a welfare policy. I am thinking of three stages.

Mr. HARDY: Well, if I might make a comment in that connection, the Canadian Welfare Council sees in the proposal which is now before your committee and which has been before the house a plan which involves some degree of subsidization built right within the plan and financed from contributions. We think if you extend subsidization substantially to certain groups then at least you ought not to finance this part of the program fully from contributions. Further, we think that if you can deal with people in a category handling with a kind of streamlined processing such as the Canada pension plan involves that there is an advantage in taking care of as large a portion of public need as you can do in this manner in fairness to the people concerned. Therefore, if part of this supplementation, if you will, was to be taken outside the plan we think it ought, in fact, to be a parallel to the plan; it ought to run in double harness with the plan. We think it can operate inside the plan if you recognize the need to pour some money in from general revenues and do not meet the whole burden from contributions.

Mr. LEBOE: I do not believe you got the point I was trying to make. Perhaps if I put it as an observation you will be able to see what I am trying to put forward.

As an observation, it would seem to me we should be dealing with the Canada pension plan as a pension plan. We have the old age security plan already. We could make these increases in that plan. We could have a pension plan aside and separate from it and, as I say, make the necessary increases in the old age security. Then, as the Canada pension plan moved along it would diminish those that were not taken care of under plans which come under welfare. Then, we would have the three different things, as you say, all in the same harness or, in other words, on the same double-tree, but each one carrying its particular load as required at any particular time.

Mr. HARDY: Yes. One thing that concerns us here is the length of time over which the Canada pension plan becomes fully operative in terms of benefit because of the quasi-funding concept and, therefore, we think that certain problems that would result in this transitional period, if you will, ought to be identified and dealt with as an adjunct to the plan.

Mr. LEBOE: Rather than separating it or departmentalizing it as we have in the past. The old age security program has been in existence now for a good number of years and it seems to be working very, very well. Do you not think that the Canada pension plan could operate as a parallel to rather than being mixed up with the old age security plan?

Mr. HARDY: Well, I have used the word "adjunct" to the plan, and I think you could say that such measures might operate within the plan in the terms of a legal definition or outside the plan, but they ought to be devised and implemented in the same timing as the plan.

Mr. LEBOE: Thank you.

Mr. IVERSON: Could I add a word to that answer?

Mr. FRANCIS: Madam Chairman, I wanted to pursue this. It occurs to me that one of the great virtues of the brief is the balance in it. It has looked not only at the advantage of a social insurance measure but it also has said,

for example, that the standards of public assistance must be looked at and reviewed. The brief itself has indicated that no social insurance measure can stand on its own feet; it has gaps. There are universal benefit programs; there is public assistance, and then, of course, there is the means testing, and so on. You will recall many criticisms of social insurance measures; it is not what it is but what it is not.

In paragraph 52 you are recommending the removal of the ceiling on total benefits that can be paid to any one family in regard to a flat rate benefit for orphans. This is a social insurance program which has a maximum contributory benefit of $104 a month. Say, we were to adopt this $64 widows benefit and $25 a month for orphans; if there are 10 children, for example, this would be $250, and $64 for the widow. How far can we go within the framework of social insurance and still maintain any consistency within the benefit structure? It seems to me that such things as Mr. Leboe was speaking of have to be considered in the brief. I wonder if any member of the council would like to pass a comment on this. It seems to me that this is inherent throughout the criticism.

Mention is made of the people who are under $600 a year earnings and then you say $75 is not adequate for them. That adds up to $900 a year or $51 a month, $612 at retirement. There is the whole question of adequacy and its relationship to social insurance benefits. I hope I have interpreted the comment which was made a moment ago correctly.

Mr. HARDY: I will start with a partial comment and hold Mr. Iverson in reserve for another minute.

It would seem to me that there is something essentially wrong in the concept that your financial provision for a family where orphans are left has a certain degree of adequacy if the number of orphans is three and quite a different degree of adequacy if the number of orphans is 10. While it may not be possible to finance this in an actuarial sense or in a contributory sense under the plan per se, I see nothing wrong with identifying such cases and saying, "We feel that where the contributory method of financing is not appropriate to meet the full cost we will regard this as part of the responsibility of the plan to be met from general revenues". The reason for doing so is that the handling of this family's need is in the terms of the Canada pension plan. This has to be the least cumbersome method of handling the family's financial need.

Mr. FRANCIS: If this is so, how do we approach adequacy, because at every point where we ask what is an adequate benefit, you say that either it is more than $39 a month, or whatever it is. The welfare council, however, does not give us any method of approaching the problem of what is an adequate benefit. As you concede in your brief, it varies from place to place. Does anybody in Canada set any standard of minimum adequacy to which we can point? Can you tell us how we determine the procedure of adequacy? It is highlighted very specifically in the case to which Mr. Hardy has referred where there is a widow and children. You say that $300 a month is approaching adequacy because there are enough children perhaps, but obviously this reduces it to the form of a subsidy. Can universal benefit measures approach adequacy in this kind of situation?

Mr. HARDY: I have one further brief comment which I should like to make on this. I think one must be aware of provisions in the plan which expose the differing proportions of adequacy and the very sharp differences. If one is trying to ask what is adequacy, this involves a study. We think it involves a study of the family. We suggest that one might have a different figure in relation to a couple to that of a single retired person, for example, and also the sum of two single retired persons. I think it would be presumptuous for us to say we could answer it here this morning.

Mr. FRANCIS: Is this not an area where social or public assistance still has a contribution to make?

Mr. HARDY: We have recognized this point, but we also say that it is unfortunate if there is an apparent coverage of a financial need in the plan, but the degrees of adequacy vary so much by such things as your ceiling on the payment to orphans that you in fact take marginal cases out of ready access to the alternative means of aid because it is thought they are dealt with here under the Canada pension plan.

Mr. FRANCIS: Has the welfare council any statement from the government in which the government has said that the minimum benefits under old age security, or old age security and the Canada pension plan, are minimum adequate benefits? Has the government ever taken this position to your knowledge?

Mr. IVERSON: Madam Chairman, there may be a problem of interpretation or misinterpretation. Of course we did look at the government statement in the white paper.

Mr. FRANCIS: Which I think is very careful.

Mr. IVERSON: Reasonable. It may be, as I say, a case of different interpretations of that word.

May I perhaps comment very briefly on this general line of questioning? I believe Mr. Hardy, in his original summary, pointed out one of the fundamental motivations behind this brief, namely, that in the council's view the means tested assistance approach should be a residual measure. Within that context, we advance a number of, what we hope are, positive recommendations.

Mr. FRANCIS: You did very well.

Mr. IVERSON: Therefore, it follows from that premise, we are arguing, that all the risks and protections and degrees of social adequacy that can be built into the central pillar should be built in. For example, in the committee's discussion the observation was made that it seems somewhat inconsistent to be able to provide for a dependant spouse and children if a contributor dies but not be able—I am looking at it now mechanically from your point of social insurance—to provide for the dependants, either spouse or children, of a contributor who becomes disabled, either from the point of view of what is good social policy or what is possible and proper under a social insurance approach.

So, as you will have noted in the brief, we tended to be less precise in making a separation between those complementary provisions which we think could be, or perhaps even should be, financed from general tax revenue and those which could be brought in under the contributory financing. The example I have just given might be appropriate for use in contributory financing, whereas the plan for getting in present day widows and children might be more appropriate for an infusion of general tax dollars. We have not attempted to spell out precisely which of these recommendations should go into contributory dollars or which should come out of the general tax dollar. The principle is to make this an inclusive plan where social adequacy has an even stronger force than the concept of equity amongst contributors.

Mr. FRANCIS: In relation to the concept of adequacy itself, I would like to just put one last bit into the record.

In paragraph 21 the welfare council states that:

> The council has been unable to find evidence that the 25 per cent of prior earnings ratio resulted from a careful study which demonstrated that that particular ratio would result in actual benefit levels appropriate to the objective of ensuring a socially acceptable level of income for those relying on the benefits, including the flat rate pension, as their sole means of support.

I would like to refer briefly to what I think might be a reasonable explanation of the 25 per cent figure in the figure quoted by Mr. Munro a minute ago. Mr. Munro called to my attention that he misread one figure. For $300 per month earnings, $138 benefit single, or 36 per cent of previous earnings, instead of 41 per cent.

Briefly speaking, a yardstick has to be use at some point. One might suggest that the yardstick that was used was for an average of payroll earnings of something like $3,600 per year to provide a benefit at retirement of roughly two thirds of the earnings for a husband and wife retiring at 67½ years—which is as nearly as we can determine the actual age at which most retirement does in fact take place.

There is not much statistical evidence on this, but where you can find evidence this seems to be an acceptable age—two thirds of the earnings at 67½ years retirement, at an average payroll of $3,600 is $200 benefit and $201 is provided, which is 25 per cent of the benefit which comes from the earnings related Canada pension plan component. The remaining 42 per cent of the benefit comes from the $63 a month which should be available to husband and wife, assuming they were the same age. If the wife is a year or two younger, as Mr. Cantelon pointed out, the percentage will drop, but not very much. This is a rough yardstick, a starting point.

A social insurance measure has to be somehow related to some standard of previous income prior to retirement or it does not serve its purpose as a social insurance measure. I certainly welcome the attention to the gaps and possible extensions that have been pointed out very ably by the people speaking, but it seems to me a good deal of the criticism that has been directed at the program said, "We blanket in here, we blanket in there". The basic question to which I come back is as follows: On what basis do we blanket in, on a universal benefit old age security type of approach? Do we blanket in perhaps through a strengthening and improving of a much more pinpointed type of assistance? I wonder if the members of the delegation would like to comment on this? When they speak of blanketing in, could they be a little more specific on the kind of measures they are recommending?

Mr. HARDY: I find it very hard, Madam Chairman, to be more specific than we have been. We have discussed this point in response to a number of questions. We have tried to suggest alternative mechanical means of relating supplements to what is contemplated is available now either within the plan, but with financing from general revenue, or as an adjunct to the plan devised but in a legal sense outside the plan. To try and take it any further would be misrepresenting the amount of time we have had to go into this, the amount of work we have been able to do on the subject.

Mr. CÔTÉ (*Longueuil*): My question is very relevant to this, Madam Chairman.

Mr. Hardy, you were recommending in your first statement that subsidization would be forwarded for people in the lower brackets or for people whose earnings are not high enough to participate in the plan. You also said that these subsidizations should not come from the funds of the plan because you think that would not be fair to take it from there.

Mr. HARDY: When you have a contributory scheme there would seem to be a limit to the extent to which you can give special aid to special groups within the scheme and expect others on the contributory basis to have their returns scaled down in order to convey these special benefits to others. There is already an element of this in the plan. The council has not criticized this element in the plan; the council has supported it. However, I think that the viewpoint is that there is a limit to the extent to which there can be a redistribution pattern within a contributory scheme.

Mr. FRANCIS: That is right.

Mr. LLOYD: We all agreed to that.

An hon. MEMBER: With the external subsidization.

Mr. HARDY: With the external subsidization.

Mr. CÔTÉ (*Longueuil*): Maybe the suggestion you would make would be that the old age security payment should be increased for the people who cannot participate or who are in the very low bracket.

Mr. HARDY: We have put our point on that in our statement. I do not think we have anything to add.

Mr. CÔTÉ (*Longueuil*): Do you recognize the fact that this plan is fair and that it now is impossible for us in this plan to make payment for people who did not particate, or who are in the very low bracket of earnings; that is, it is almost impossible through this plan.

Mr. IVERSON: I think recognition, in general terms, is given to the point now being made, when the brief suggests that they may be directly or indirectly involved. We believe that this should occur in the general context of the Canada pension plan. A point which I do not think has been made and which certainly appeals to me as someone in public welfare is the psychological value of the social insurance approach. This is a point in passing.

Mr. CÔTÉ (*Longueuil*): Do you recognize that through this legislation it is impossible to increase the old age benefits for people who did not participate. It would take an amendment to the old age security to provide for these people.

Mr. HARDY: I think we must be careful here that something is not being put into our mouths which is not contained in our brief. We have indicated we favour certain modifications within the plan; we have indicated we recommend certain supplementation to the plan. We do not say that you cannot make changes; in fact, we advocate changes. However, we do suggest there are limits to what, in fairness, ought to be done within the plan, and we suggest that some of the dimensions of the shifting ought to be the product of further study.

Mr. CÔTÉ (*Longueuil*): But not through this plan, because you say subsidization should come from another source.

Mr. HARDY: We think we have covered our view on that in saying we think certain things ought to be an adjunct to the plan either within or outside its formal legal terms.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Do you have any other questions, Mr. Côté?

Mrs. Rideout and gentlemen, we have only one more name on our list, Mr. Cashin.

An hon. MEMBER: He will take an hour.

Mr. CASHIN: I will not be an hour. We have heard a good deal of criticism to the effect that the benefits are higher for the higher income group and low to the low income group. Do you accept the principle that the lower income groups should have an opportunity to contribute, bearing in mind two things; first, that so far as maintaining their retirement income in proportion to their earned income in their lifetime is concerned, it is a higher proportion; and, second, as their incomes increase, as we hope they would, they then would have a greater opportunity to prepare adequately for their old age than they would if they were excluded from the opportunity of joining a contributory plan.

Mr. HARDY: The Canadian Welfare Council has indicated general support for the Canada pension plan which is a contributory scheme.

Mr. CASHIN: Even though it has been pointed out that the higher benefit is in the higher income group, in fact the man who earns under $900 or $1,200

a year still gets 100 per cent of his income on retirement. It seems to me, if we were to agree on a figure, that $1,500 is the minimum needed on retirement and that perhaps we should make provision for a guarantee of $1,500; but, having done that, we would still find instances, if we accepted the contributory pension plan, of cases where the higher income bracket receives higher benefits.

Mr. IVERSON: As I believe Mr. Hardy has pointed out, we do not question this except in so far as it has what we consider to be the negative result at the lower end of the scale.

Mr. CASHIN: My point is that if this were raised to $1,500 or $1,200 instead of $900, or $1,500 instead of $1,200, you have to provide a minimum, and then you would still have the higher income groups with higher actual earnings. Do you feel that with a plan of this nature we really are laying the groundwork for a sort of balanced approach to social security which hitherto has been unknown in this country and that now we will have an opportunity to review in a balanced light the whole problem of social security?

Mr. HARDY: I wonder what sort of an answer you expect us to give to this question.

Mr. AIKEN: May I ask a supplementary question? Mr. Hardy, you are approaching this plan as a contributory plan and not as a welfare plan, and on that basis I assume you are approving of it in your brief; is that correct?

Mr. HARDY: For its social welfare implications.

Mr. ALEXANDOR: Madam Chairman, I wonder whether Mr. Cashin's last question might be answered by quoting the statement of the Minister of National Health and Welfare which was made in the House of Commons when she introduced this legislation in July, 1963. She described the Canada pension plan as the next natural step in providing rounded welfare legislation in Canada.

Mr. CASHIN: And this is only a step.

Mr. ALEXANDOR: We think it is a very substantial step.

Mr. CASHIN: But, because we do not have all the answers now, do you think we should stop?

Mr. ALEXANDOR: Oh, no.

The CHAIRMAN (*Hon. Mrs. Fergusson*): On behalf of the members of the committee I would like to thank you very much, Mr. Alexandor, and through you all the other members of your delegation. Also, I think I should express my appreciation to many of your staff members who were not on the delegation for presenting a very interesting and worth-while brief. I think it is apparent, from the searching questions which have been asked, that the members of the committee are deeply interested in what you have had to say and that they are anxious to take it into consideration. I do want to thank you very much for the work which I know had to be done before this brief could be presented here; also I would like to thank you for taking the time to come here to be with us.

Mr. MUNRO: Madam Chairman, I would like to move a motion to express our thanks to this delegation for their co-operation in being here.

Mr. KNOWLES: I second the motion.

Mr. BASFORD: Madam Chairman, I wanted to point out to Mr. Alexandor that the other day we had before us representatives from the Canadian Life Assurance Officers Association who expressed great concern about the poor of this country but who, on examination, had never heard of the work the Canadian Welfare Council is doing for the poor. On being examined on this by me, they offered to make a contribution.

Mr. ALEXANDOR: One distinguished member of the Canadian Life Assurance Officers Association who is in this room is very well aware of what the Canadian

Welfare Council is doing, Mr. Anderson, a former chairman of our executive committee.

The CHAIRMAN (*Hon. Mrs. Fergusson*): We will meet again this afternoon at 2.30 in this room.

AFTERNOON SITTING

FRIDAY, January 15, 1965.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, we have a quorum. The first brief we have for this afternoon will be one submitted by the Congress of Canadian Women. Mrs. Helen Weir is the national president. I wonder if she would mind coming forward and introducing herself along with the members of her delegation to the committee and explaining her organization, and then proceeding with her statement.

Mrs. Helen WEIR (*President of the Congress of Canadian Women, Toronto*): Mr. Chairman, and ladies and gentlemen, I would like you to meet the members of our organization. First of all, I am the president of the Congress of Canadian Women, and here we have Mrs. Kerttu Laakso, Mrs. Mary Prokop, Mrs. Alice Maigis, and Mrs. Violet Dewhurst. In addition we have Madame B. Gelinas who is a member of the family league, which is an organization affiliated with the congress.

Our organization has been conducting a campaign on the question of old age pensions specifically, and the question of the pensionable age. You have already received copies of our brief on this question, and you have been able to study it. But I would like to make a few introductory remarks.

We have come before you to make one main point with respect to the proposed Canada pension plan, namely, in connection with the old age security portion of it.

We believe that in order that the plan have a sound foundation it must be firmly based on today's realities and at the same time look ahead to developments that are in process.

You have already received and we hope studied the brief which we prepared. In the brief we propose that the age at which all Canadian women will receive the full and unconditional old age pension be lowered from the 70 years as at present to 60 years without a means test.

The stresses and strains of modern living and working in an intensely speeded-up economy lead to exhaustion at an earlier age. In this situation women are under a particularly heavy strain—in their triple role of mother, citizen and worker. Many women of 60 are either unable to keep on working or forced to continue despite impaired health. Many others because of their age, cannot find work or are laid off with little or no hope of re-employment. This is particularly so today when new techniques and automation are displacing more and more workers: when ther is chronic mass unemployment and when every year great numbers of young people are coming onto the labour market.

We take pride in the fact that society has progressed and advanced knowledge cuts down on the labour power needed to run our industries and our country. But we feel that all of our people should benefit from this fact.

January 11 press stories of the report of the Economic Council of Canada states that by 1970 Canada needs 1,500,000 new jobs. This fact too accentuates our claim that it is necessary to make it possible for people to retire at an earlier age, that is, generally. Mugh Garner, writing in the March 21, 1964, *Star Weekly* said and I quote:

> Thousands of Canada's old age pensioners are the forgotten poor of our affluent society, living in mental hospitals, poorhouses, nursing homes,

garrets and flophouses, or with children who are often fed up with them. They are almost all desperately lonely, and many of them are actually hungry. They exist rather than live, through each 24 hours that bring them closer to death.

We may have conquered most diseases, and be on the threshold of interplanetary travel, but we know and care less about taking care of our old people than do the most ignorant African tribesmen...

The elderly citizens of this country, are as individual now as they were as young people, good, bad, friendly or cantankerous. They refuse to be lumped together under a catch-phrase, and many refuse any help that is offered them—if it threatens their independence as people. As one old woman told me, 'I am not a senior citizen, I am an old woman.'

In 1963, 962,884 Canadians were receiving old age security pensions from age 60; 103,106 others, between 65 and 69, were receiving old age assistance, after a means test. Together they number well over a million or one out of every 18 citizens. Here I am speaking only about those old age pensioners who do not live with their children, in hospitals, nursing homes or homes for the aged, but by themselves enjoying as long as they can the individual freedom and independence they have striven for all their lives. They eke out a bare existence on $75 a month plus up to $20 from municipal and provincial governments. We think we are doing a great thing when we give them reduced admissions to movies, a few matinee seats at a theatre, a picnic or a bingo game. What most of them really want, and need desperately in most cases, is a monthly pension big enough to give them their dignity, a means to companionship and a better life, and the respect, both of the public and of the government, they deserve. Most of our poor old age pensioners did not form the companies, buy the bonds, or invest their incomes in this wide, rich forgetful country of ours. They did other things just as important however. They swung the picks and felled the trees and ran the threshers and laid out the railroads, dug the mines, and built our towns and cities. And the women raised their children on pre-union level wages, taught them morality and religion and what passes for the decencies of living. And most of them soothed away our fears, bathed us, bandaged our fingers, and wiped the very noses that made us the people we are today. We, in our gratitude, throw them an extra $10 a month now and then as an election bribe, or to assuage our lack of interest or our guilt.

We feel that Canada can afford to lower the pension age and to increase pensions. The vast accumulated and growing wealth of our country rests on the labour of succeding generations of working men and women.

We have circulated a petition asking to have the universal pension age lowered to 60 for women to obtain a sampling of opinion across the country. We conducted a campaign for signatures. We have thus far secured to date 3,960 signatures in support of these proposals.

This affidavit from a notary public verifies this statement. In addition hundreds of postcards have been sent to the Prime Minister.

Needed funds for an extended pension plan in keeping with our highly industrialized economy and great national wealth can be made available.

(a) by levying a proper tax on the great accumulations of private corporate wealth and profits which have come out of the labour of Canada's working people.

(b) by a drastic cutback in the sums now spent on armaments and using part of the money thus saved for pension purposes.

Let us make it possible for our older citizens to enjoy a well earned measure of comfort and decency in their declining years.

Lower the universal pension age to 60 for women and to 65 for men.

The French organization is currently conducting a campaign as well on the question of reducing the pensionable age to 60. They intend to continue with it and to be able to present a report to our government. The affadavit I refer to is from a notary public and it verifies the statement In addition hundreds of postcards have been sent to the Prime Minister concerning this question. I am sure many of you know about this fact. The important part of the argument is where are the comments coming from? This, ladies and gentlemen, constitutes my introductory remarks on this question.

The CHAIRMAN (*Mr. Cameron*): Thank you very much. May I have a motion that the brief of the Congress of Canadian Women be made part of the minutes of today's proceedings?

Mr. KNOWLES: I so move.

Motion agreed to.

The CHAIRMAN (*Mr. Cameron*): What is the wish of the committee in regard to this affadavit? Shall it be filed as part of our library?

Mr. KNOWLES: It is only one page, and perhaps it could be included in the appendix along with the brief—I mean a copy of it, of course.

The CHAIRMAN (*Mr. Cameron*): Our usual custom at this time is to throw the meeting open for questions by the members. I presume you and your colleagues will try to answer them. The first on my list is Mr. Chatterton.

Mr. CHATTERTON: Referring to your brief I recognize that your comments are directed primarily towards the old age security part of the bill.

Mrs. WEIR: Yes.

Mr. CHATTERTON: On the first page of your brief in the second last paragraph you say:

> We welcome the proposal of the government to introduce in the present session of parliament an extended Canada pension plan—a plan that is to be made up of the $75 old age security pension payable to all Canadians at 70, and the maximum contributory pension of $100.

We thought this could be read as if you implied that all Canadians should in future receive the maximum pension under the Canada pension plan. Is that so?

Mrs. WEIR: Well, actually we refer to the proposal and we feel that anything will be an improvement. For example, while now the pension is $75, if our older citizens at the age of 70 could get $100, that definitely would be an improvement for them. We thought that today we should deal with only one specific aspect of the old age security plan, and that is the lowering of the age. We are not against a greater pension, not at all. In fact if it were $100 or more it would be beneficial. I am getting a little older myself and I am looking to the day when I can retire. But I believe that if we could lower the pension plan age we believe it would be of great advantage to the women of Canada if it were lowered to 60 years of age. When I get to be 60 years of age I want to know that I can get $75 or $100, or whatever is the current rate of the old age security pension. Whether I work or whether I do not work, whether I baby sit with my grandchildren or not, I want to know that I have that security on which I can fall back. This is the approach we take.

Mr. CHATTERTON: I take it you have not made any study of what the Canada pension plan will do for those who will retire in due course.

Mrs. WEIR: I must admit that we have not made a thorough study of all the provisions in the Canada pension plan. I think there will be one aspect of it that will be very definite, and that is in the old age security aspect.

Mr. CHATTERTON: Has it been brought to your attention that, for instance, in 1976, which is ten years after the Canada pension plan comes into operation if it is passed now, of the 1,888,000 Canadians who retire at age 65 over two thirds will receive not one penny out of the Canada pension plan? Has that been brought to your attention?

Mrs. WEIR: No.

Mr. CHATTERTON: We have asked for these figures to be checked by our own auditors.

I would like to refer to page 2 of your brief where you say:

> We refer specifically to that part of the plan dealing with old age security, that is the proposal that the universal pension age at which every citizen receives the old age pension at 70 years and at 65 with means test.

Are you aware that the proposal in the bill with regard to the Old Age Security Act is to make old age security available in future at 65 without a means test but at the reduced rate of $51?

Mrs. WEIR: Yes, we are aware of that but we do not think that is adequate. We think women should receive the old age pension at 60 years of age at whatever is the going rate of pension, and that men should receive it at 65. We do not approve of the plan in that it says that at 65 you will get $51 rather than $75 as when you reach the age of 70.

Mr. CHATTERTON: Let us say that the government does not accept your recommendation or even the recommendation that has been made by others that the $75 should become available at the age of 65 without a means test. Let us say the government does not accept that. Would you be in favour of the proposal that a reduced amount be made available at a lower age?

Mrs. WEIR: At 65? Would we agree to the $51? Yes, that is better than waiting until the age of 70, and we would agree provided that when one reached the age of 70 one received $75 and not $51.

Mr. CHATTERTON: The proposal in the bill is that when you choose to take $51 at the age of 65 that amount stays with you until you die.

Mrs. WEIR: That is a bad aspect of the proposal because in that case one is talking oneself out of a great deal of assistance when one gets to the age of 70. You might live until you are 90 if you are lucky, and if you draw this at the earlier age you forfeit a great deal of security because you take only $51 a month. The amount that you draw at the earlier age does not compensate for what you forfeit. If a person is forced by circumstances beyond their control to ask for a pension at that age, without the means test, they will be penalized in the long run.

Mr. CHATTERTON: At one point in your reply you referred to "your plan". I would just like to correct what might be a misapprehension. I am not a member of the government.

Mrs. WEIR: I stand corrected, I mean the proposed government pension plan.

The CHAIRMAN (*Mr. Cameron*): Mr. Basford.

Mr. BASFORD: I wonder if Mrs. Weir would care to comment on the rather good scientific evidence that women are stronger and hardier than men.

Mrs. WEIR: I think that is true scientifically, and we are happy for it; and I am not being smug when I say that. But do the gentlemen realize that a

woman really works a double shift all her life? If she happens to have to go to work as a professional woman, an industrial worker or a floor scrubber, a woman has a double burden to bear. She is the bearer of children; she plays the part of nursemaid, housewife, and companion to her husband. Actually, a working woman is burning up her energy on two fronts, and if she is socially minded she will be active in the church, in the home and school organizations and so on, and then she is working a triple shift and is therefore pretty well burnt up by the time she is 60. Although the medical evidence is that women live longer, believe me they are hardened to live longer because they have to work harder. That is true.

Mr. BASFORD: I was looking at your considerations on page 3 in respect of the universal old age pension being reduced to age 60 for women. Those considerations really apply, do they not, to spinsters and widows who have to support themselves?

Mrs. WEIR: Widows and spinsters are really in a position in which they have to earn their bread and butter, but many many Canadian women, hundreds and thousands of them, are forced to go to work today to help to supplement the family income because the cost of living has gone up tremendously, as has the cost of education, and so on. Therefore, in most cases you will find that families are supported by the income of both father and mother. Sometimes the woman is working at a part time job, but sometimes it is a full time job, and actually the need for their work is an economic one for their families. They need the extra money for their families to bring them up properly and to give them an education and so on. So women really need that security.

Not only that, but we go further and say that even the average housewife, who probably will not come under the pension plan as such since she will not be making the contribution in the same way towards it, deserves an old age pension just as much as I, who have been working, or any other woman who has been working in a profession or in an office or anywhere else. The plan we present is for every woman, regardless of her occupation, regardless of whether she is a farmer's wife, a housewife or an industrial worker, a teacher, a professional worker, a politician or anything else. When they get to 60 years of age Canadian women should have this security, and the men should have it at 65.

Mr. BASFORD: Why do you differentiate between men and women and say the men should have it at 65? Surely the man who has been in the bush logging all his life is pretty wel burned out at age 60 also.

Mrs. WEIR: As I said before—and I was not being facetious—we fell that women do have an extra burden to bear, and they are physically and morally tired people by the time they are 60. Added to that is the fact that it is much more difficult for a woman to seek employment nowadays. When you go to look for a job at age 35 or 40 you are told you are too old for a job.

Mr. BASFORD: Those are considerations which apply surely to the spinster and the widow, with whose lot in life I have a great deal of sympathy.

An hon. MEMBER: That is because he is a bachelor.

Mr. BASFORD: Surely, whether the average housewife requires a pension or not depends upon the means of the head of the household.

Mrs. WEIR: Regardless of whether he has $2 million in the bank, when she is 60 years of age she is entitled to the old age pension.

We want to remember all the other arguments about the affluent society, the advent of automation, the need for more jobs for younger people coming into the labour market with each advancing year, and so on. By the time 1967 or 1970 rolls around we will need a lot more jobs for the young people who are coming into the labour market, and if we retire people at an earlier age we will make room for the younger people coming into the labour market.

Mr. BASFORD: Those are considerations which apply to a woman supporting herself, but they do not apply to the average housewife.

Mrs. WEIR: They apply to every human being.

Mr. BASFORD: I disagree.

Mrs. WEIR: My mother was only an ordinary housewife, but she needs that old age security now. I think that situation applies to countless thousands of people.

Mr. BASFORD: You do not increase employment opportunities by giving pensions to non-working housewives.

Mrs. WEIR: You have a point there, but when I made my point about the need to make available more jobs for younger people, I had in mind that when people know that at age 60 they will have a certain security they will retire more gracefully, they will not force themselves to continue a job because they have to or otherwise starve to death because they have no security.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Do you have any more questions Mr. Basford?

Mr. BASFORD: I have finished, Madam Chairman, thank you.

Mr. AIKEN: Mr. Basford was asking questions along the line I had in mind, but I wonder if Mrs. Weir can tell us whether her group has made a study of the needs of the married woman as against the single woman and widow at age 60? It seems to me, as it does to Mr. Basford, that there is a distinction here. A social need exists for a person who does not have another source of income and who has no one to provide for her. We have to take the people in greatest need first, and I wonder if you have made any study to find out whether there is a difference in the needs of people in these three groups, that is to say married women, single women or widows.

Mrs. WEIR: We have not made a particular study of that, but I will agree with you that their needs are greater; that is obvious. I revert to the main point we are making. If we are going to take into account the question of the needs of a woman who is a widow, for example, I would say that other provisions should be made under the pension plan to account for the fact she has no support so that her income is not impaired. But, when it comes to the question of the age limit for old age security I think it does not matter whether the woman is a widow or whether she is a housewife or is in a position to support herself, or whether or not she has any savings; the question is one of our society being able to afford a pension for people at a lower age, in this case, 60 for women, and 65 for gentlemen.

Mr. AIKEN: Well, one of the principles we discussed is that in this sort of plan we have to consider people as a group rather than as individuals, and I wonder if you have any opinion as to the position of the man at age 65, which you could present. Is there a good reason for putting the man's pension at 65 and the woman's at 60, if it does not refer to the ability to make a living or any other factor?

Mrs. WEIR: Well, we feel that a man's opportunity to work and be productive is greater and that they probably are able to continue labour under 65 years of age.

Mr. AIKEN: Now, you are getting into the economic field of need.

Mrs. WEIR: Personally, if we could make it $60 for all citizens I would not be against it. If we retire gentlemen at age 60 neither I nor the members of my committee would argue against it.

The CHAIRMAN (*Mr. Cameron*): Are there any further questions?

Mrs. RIDEOUT: I will allow Mr. Côté to proceed.

Mr. CÔTÉ (*Longueuil*): Thank you. I just wanted to say that if we could make a summary of your observations in your brief you do not at all criticize

the pension plan which we are studying at the present time but you wish to make recommendations in respect of increases in the payments under the old age security program.

Mrs. WEIR: No, we have no criticisms on the proposed Canada pension plan because we feel that any pension plan is better than nothing. At the present time we have an old age security plan paying at present $75 a month at age 70 and $75 a month at age 65 with a means test. But, that is the only security our citizens have at the moment. Anything that will be proposed in the way of a Canada pension plan will be an advantage to the citizens of our country, provided there are no disadvantages in it.

I think the proposal the gentleman spoke about in respect of $51 at age 65 for the rest of our lives is a disadvantage. That is a personal opinion but I think my committee will agree with me in that connection. Other than that I believe we generally would say on behalf of the members of the delegation than any plan that is proposed for the people of our country is of benefit to the citizens, with whatever limitations it has. But, we feel it would be strengthened a great deal if the citizens could have the security of a universal old age pension when 60 years of age for a woman and when 65 for a man at the present level.

Mr. CÔTÉ (*Longueuil*): I would like you to note that the plan does not oblige a person to take a pension at age 65, but he can choose to take it at age 65 instead of age 70.

Mrs. WEIR: I am not sure anyone would choose it if they were not forced to, if their back was not up against the wall financially, so they would have to choose to take it at age 65 without a means test, of course; but, it is a great disadvantage. That is my humble opinion.

The CHAIRMAN (*Mr. Cameron*): Would you proceed now, Mrs. Rideout.

Mrs. RIDEOUT: Mr. Chairman and Mrs. Weir, being a female member of this committee I feel I am obliged to make a comment. Personally, I look forward to being 60 years of age; they say life begins at 40 but, so far as I am concerned, I am hoping it begins at 60. In calling for more leisure time through an earlier retirement age does the congress believe that women have more need of leisure time in their old age than is the case with men, in view of the fact that women usually outlive men, at least according to the statistics, and spend less time in hospitals than the men do.

Mrs. WEIR: Well, as a matter of fact, I would answer yes, they do need more leisure time. Most women are not really that free when they get to that ripe old age of 60; they are usually baby sitting with their grandchildren; they continue doing their household chores and, whether they are widowed, single or spinsters, they still have that occupation. But, it does not mean that this is any kind of leisure.

A lot of women have to keep on working because they have not the financial security. We believe that if women at age 60 had this amount of security, then if they were still able to work, whether it be part time or whether it be full time, they would be free to do it if their healh permitted or if it was in their interest to do so. For example, they could do very valuable social work, to the limits of their interest and ability, but they would not be up against it where they would have to work regardless of whether they are 60 or 65, beyond the limit of their strength. In many cases they are only tolerated on the job because they have been there a long time, and they can no longer fulfil the function they should as workers. That happens with teachers. We all have heard of teachers that are tired and their nerves are shot, but they still continue teaching because they have not reached retirement age. There are really poor teachers who are not really a good influence on the children they are teaching. They are not making a good contribution as teach-

ers but they are forced to carry on because they have nothing upon which to fall back.

Mrs. RIDEOUT: In front of all these men it worries me that we might be admitting things which may not really be so when we reach the age of 60.

Mrs. WEIR: I think we should admit these things. I do not believe that any human being who sits pretty should say: "I have $60 a month or $75; that is all right. I do not want to do a job of any kind." I do not think that is good. I think healthy ordinary human beings do want to work and contribute to society and to their family as long as they possibly can. Only the sick, the mentally sick and retarded people, do not want to work. Healthy normal human beings really approach work as a necessity, and this is a healthy thing to want to do, whether you are 67 or 75.

I spent some time reading Dr. Penfield's book on the second career and Dr. Marion Hillier's comments about the reclining years and I agree that people should start planning their second career at age 40 and not leave it to government agencies and bodies to provide for them some sort of existence when you get older. As I say, it is a healthy thing to want to work and to have something to do, but it is much better when you have a certain amount of security behind you so that when old age does come you will have something to fall back upon. And, you will have earned it.

Mrs. RIDEOUT: Thank you, Mrs. Weir. May I compliment you on the way you have presented your brief and your arguments.

The CHAIRMAN (*Mr. Cameron*): Would you proceed, Mr. Lloyd.

Mr. LLOYD: I believe it was the welfare council that proposed to us that old age security should be provided at age 65 but be subject to an earnings test. Would you agree with that conclusion?

Mrs. WEIR: No, I would not.

Mr. LLOYD: You are not in agreement with the earnings test?

Mrs. WEIR: No. As I said earlier, I do not care if I have $10,000 in the bank or $100,000, or nothing; as soon as I get to age 60 I want to know that at that age there is this security for me and for my fellow citizen, for all the other women of Canada, and at age 65 for the men of our country.

Mr. LLOYD: All right.

Mrs. WEIR: No means test or anything like that.

Mr. LLOYD: No retirement tests?

Mrs. WEIR: No retirement test.

The CHAIRMAN (*Mr. Cameron*): Are there any further questions?

Mr. KNOWLES: I did have a couple of questions but gradually they have been put. I intend to put a question along the line of a question Mr. Basford put, whether Mrs. Weir and her organization would wish this to be for a woman at age 60 regardless of status, single, married, widowed, or what have you, but we already have had the answer to that. Once we got that answer I had thought of calling your attention to the position of the Canadian Welfare Council, to which Mr. Lloyd has just referred, and also to a position taken the other day by the Canadian Life Insurance Officers Association. Both of these groups have at least suggested, although with strings attached, pensions for women at an earlier age. The life insurance officers association suggested that where a breadwinner has to retire, even below age 70, he be given the pension and that if his wife was age 60 or over that they be given a combined pension of $125 a month. That appears to be $50 for the wife over 60.

Mrs. WEIR: Yes, cut rate.

Mr. KNOWLES: Maybe it was the other way around, $75 for the wife and $50 for the husband.

Mrs. WEIR: That would be better.

Mr. KNOWLES: As Mr. Lloyd pointed out, the Canadian Welfare Council this morning suggested that the flat rate old age pension, which currently is $75 a month, although the Canadian Wefare Council would like to see it raised, be made available to all breadwinners at age 65 provided they are out of the labour market. I already have heard your answer in that connection. But, let me make it clear in their defence they were not advocating what we used in the old days, the means test or the method we still use in respect of old age assistance, but retirement from the labour market.

Then they suggested in cases where any breadwinner below the age of 70 was on full old age security and if his wife was age 60 or more that she too be given the full old age security. I do not need to ask you my original question because you have given the answer clearly. But, suppose we are not able to persuade this Liberal government to meet the points you have made, would your organization be interested, or do you think the women of Canada would be interested, in moving in this direction, not having, let us say, pensions for women at age 60, if they are widows or if they are spinsters, out of employment, or if they are wives of husbands who are on pensions. I am not trying to lead you down a line you do not want to take. But, if you cannot get what you have asked for would some steps in these directions be good steps to take?

Mrs. WEIR: Well, Mr. Knowles, I would like to ask my delegation to help me to reach a decision on this question.

I would be inclined to say that any steps that improve the old age assistance would have to be looked at as progressive steps. But, I still think it is possible in our society today to meet the needs of the older people at the ages that we suggest. I think if everyone does that, and we work toward that end, we will find the means for it as well.

I firmly believe that it is possible for us to be able to finance that sort of scheme on the basis of our society today and on the possibilities that we have. And, if someone needs additional assistance, for example, widows and women that are the breadwinners of a family, or breadwinners for themselves alone, perhaps some other measures could be taken through the Canada pension plan or through other agencies that would provide that for them. But I still insist that we should be able to afford to give old age pensions to women at 60 regardless of whether their husbands are working, whether they are on pension or whether there are any other considerations.

Mr. BASFORD: Mr. Knowles is asking Mrs. Weir to compromise and I do not think this is the right thing for a gentleman to do.

Mrs. WEIR: You can always eat half an apple if you have to, but if you can have a whole apple, you fight for it.

Mr. KNOWLE: I do not accept a bachelor's interpretation.

When I asked my questions I thought that Mrs. Weir might be interested to know that even the other witnesses to whom I referred had not gone as far as she had, but at least the idea of pensions for women at an earlier age under some conditions is being thought about by other organizations. The idea is in the field of discourse.

Mrs. WEIR: It only proves one point, Mr. Knowles, that there are other citizens besides ourselves who are interested in providing better old age security for the citizens of our country, but it does not lessen our demands at this point on this question of age.

The CHAIRMAN (*Mr. Cameron*): If there are no more questions, I want to express, on behalf of the committee, our appreciations to you, Mrs. Weir,

and to you, ladies, for the brief you have submitted and for the presentation you have made. I assure you they will receive due consideration.

Mrs. WEIR: Thank you, Mr. Cameron, and thank you, ladies and gentlemen of the committee. It was really delightful to be here and to be received by you, and we wish you the very best success in your deliberations. We hope that the outcome will be of great advantage to our citiens. Thank you very much.

The CHAIRMAN (*Mr. Cameron*): We now have the senior women's committee for pensions increase, headed by Miss Ethel Neilson, who is the chairman. Miss Neilson, would you please come forward and introduce yourself and the members of your committee.

MISS ETHEL NEILSON (*Chairman, Senior Women's Committee for Pension Increase*): Mr. Chairman, ladies and gentlemen, I am accompanied by Miss Margaret Bradley who is our secretary-treasurer and Mrs. Murray, who is a member of our committee.

The CHAIRMAN (*Mr. Cameron*): We already have your brief, Miss Neilson, and all the members have had an opportunity to study it. Would you please put it in summary form and tell us what your recommendations are. That might facilitate matters. The members will then wish to ask you some questions.

Miss NEILSON: The senior women's committee for pension increase has studied the Canada pension plan very carefully and find that the bill is proposing to build up a plan to provide for retirement for people 10, 15 or 25 years from now and totally neglecting the people of today. The economic system of the world has changed rapidly even in the last 25 years, and, of course, no one knows how the people will live in the future. We are told that the past is gone, and there is no future, there is only today. When tomorrow gets here it is today.

Our committee is concerned with the retired people of today. We all know no one can live on $75 a month as our people should live. The Senate committee on aging gave us the information that 56 per cent of the women and 40 per cent of the men in Canada between the ages of 70 to 79 are trying to exist on less than $1,000 a year; at the age of 80 the percentage is higher.

Democracy is government by the people for the people, and we the people are informing the government that adequate provision must be made for those 65 years and over.

You know, probably of the petition our committee sent out across Canada from the Yukon to Newfoundland, and it would give the government something to think about if the members could read the thousands of letters and signatures that come in.

I repeat, we are not concerned about those living 15 or 25 years from now, they will be able to take care of themselves in their own way, but we insist that adequate provision be made early in the next session of parliament and a free vote taken to raise the pension to $100 at 65 in '65. I might suggest that you make it retroactive to January of this year.

The CHAIRMAN (*Mr. Cameron*): Thank you, Miss Neilson. May I have a motion that the brief be included as an appendix to our proceedings? It is agreed. Are there any questions?

Mr. CASHIN: Would you agree that if 40 years ago we had a compulsory contributory pension plan for all Canadians the fate of those of 65 would not be as bad as it is?

Miss NEILSON: I would think that any improvement and any progress made 40 years ago would have brought about better conditions today, just as conditions that we bring in today will have an effect on the people 40 years from now. I think that our duty is for the people of today, that we must make provision for the people today and not for the people 40 years from now.

Mr. CASHIN: Let me say it again to see if I understand you properly. You are saying we must make better provisions for the people today, but does that mean you are saying to us we should make no provision for the future?

Miss NEILSON: Not at all. Any progress is good, but today is the most urgent. A woman wrote to me just the other day and told me that her husband has been in the hospital for 20 years. She is between the age of 65 and 70 and she has been supporting her family. She has come to a point where she finds it difficult to continue. Another woman told me her husband just passed on a couple of months ago and he had been in bed for six years. The stories that they tell when they write in are pathetic; it is really a shame. A great many people are not well when they get a little older, and I believe their drug bills are most objectionable. Some people tell me they have to pay for drugs as much as $30 a month. How they can do it on $75 a month I would not know. I think that this keeps our people without the proper food. A great many women tell us when they write that they do not have sufficient money for proper food. Fifty six per cent of the women and 40 per cent of the men in Canada at the age of 70 to 79 are living under those conditions.

The CHAIRMAN (*Mr. Cameron*): Are there any further questions?

Mr. MONTEITH: Mr. Chairman, may I ask you, Miss Neilson, whether your association or organization has given any consideration to the possible greater requirement for security the older a person gets? You mentioned a $30 drug bill per month as an instance. Have you made studies of whether or not, as one attains a greater age, the amount of old age security should be somewhat higher than it was before? For argument's sake, let us say it is $100 now for a person aged 70 years; should it be any greater at 75 years of age or 80 years of age? Have you considered that at all?

Miss NEILSON: I think that if people had a pension of, say, $100 at the age of 65 years, it would be of great help to them. Many women do some work that helps them financially, but I could not say whether they would need any more after they got older or not. I think that their needs are not as great in a social way. They do not go out as much in their eighties and they do not spend as much money in their eighties. I would not know whether they have an adequate living. We have not studied that and I am not sure that my colleagues would know. I think that our older people would not have to endure the illness and the misery if we had adequate means.

As to a means test, I think it should be done away with. I would not wish a means test on anybody. I know that a good many people who are 65 and could get the assistance do not want it because of the means test.

Mr. CÔTÉ (*Longueuil*): Would you differentiate between men and women as to the age at which they are to receive their pensions, or would you say that 65 should be the age for everybody? Do you think it would be better if it were 60 for the women?

Miss NEILSON: That is what we are interested in, that everybody should get a pension at the age of 65, because 40 per cent of the men across Canada who are 70 years of age are trying to live on their pension.

Mr. CÔTÉ (*Longueuil*): You would not make any difference between men and women? In that case, do you disagree with Mrs. Weir on this?

Miss NEILSON: I think everybody should get their pensions at the same age.

Mr. AIKEN: Mr. Chairman, I would like to ask Mrs. Neilson whether she really has given any consideration here to the Canada pension plan; that is, the contributory part. You really are not concerned with that. I believe you said this is because it would be something for the future. Is that correct?

Miss NEILSON: Well, the people over 65 will not be contributing to it. While the bill proposes to tie it to the cost of living, if the cost of living went

up one per cent, it would give a person about 2½ cents a day and if it went up 2 per cent it would give them about five cents a day. That really is not anything at all.

Mr. AIKEN: Relating your brief to the bill we are considering, you are interested in the old age security section of it and you say that it should be enlarged so that old age security is paid at an early age in a larger figure.

Miss NEILSON: It should be paid at age 65 and should be at least $100 a month.

Mr. AIKEN: So far as the Canada pension plan is concerned, on top of that universal pension I presume you are satisfied to have it added to on a contributory basis.

Miss NEILSON: Well, the pension plan for the younger people who are going to contribute is not going to affect us at all. A great many of our senior citizens, even ten years from now, are not going to be here. It is the people who are here right now who are suffering. When I read these letters which come in I am appalled at the suffering of these elderly people who have made everything we have now in this country possible. I would like to see this done right at this next session of parliament. I cannot see how these people can go on as they are doing.

Just imagine, in this cold weather, a man and woman who are elderly and who are living in someone's attic without proper food and heating. If the yhad $100 a month at least they could get, perhaps, a little more adequate living accommodation and have sufficient to eat.

Mr. MORISON: Mr. Chairman, I see by your brief, Miss Neilson, that if we do give the pensioners another $25 a month it will cost about $275 million.

Miss NEILSON: Yes.

Mr. MORISON: Do you agree with me that there is only so much money you can get your hands on. This can be in your own establishment or in your own community, or here in the country; or, do you feel there is an unlimited supply of money?

Miss NEILSON: Well, I do not see any lack of it.

Some hon. MEMBERS: Hear, hear.

Mr. MORISON: We are very fortunate that after two years we have been able to give you that opinion. There was a time when there was not so much around. However, you did not answer my question. Do you think there is an unlimited supply? We have done a good job, but I think you will agree with me there is an end to it, is there not?

Miss NEILSON: I think, if you have the income, that you use it for things that are most necessary.

Mr. MORISON: You have not answered my question. Do you think there is an unlimited supply of money or can you agree with me there is an end somewhere?

Miss NEILSON: I do not know whether or not there is an end.

Mr. MORISON: Oh, well—

Miss NEILSON: But I do think—

Mr. MORISON: But I am not that optimistic. I feel that somewhere down the line there has to be an end to the amount of money available, and I think probably you would agree with me, really, if you did not think I was trying to load one into you.

Miss NEILSON: When I look around at the things that are being done and the money that is being spent I would say that possibly parliament thinks there is an unlimited supply.

Mr. Morison: Thank you; I feel we have done a Herculean job, too, but I feel that there are demands in every sector of government for more money and when I look at this $275 million I think of the money we have to spend on the education and retaining of our youth if we are going to give the economy the tremendous boost it is going to need. I certainly do sympathize with the problems of the aged. I have an aged mother living and also an elderly uncle. So, I am aware of the problems. However, I wonder whether we should look at the youth of the country and say we have to stop somewhere; let us try the best we can, without spending much more money, and look after the youth so that we can give a boost to the economy.

Miss Neilson: Do you not think that if $275 million a year was put into circulation it would give a boost to our economy?

Mr. Morison: It would give a better boost if it were spent on retaining of the youth so that they again could produce and it would multiply. That is my thinking. I wonder whether you had given any thought to the matter along that line.

Miss Neilson: The youth are going to be educated.

Mr. Morison: But it takes time.

Miss Neilson: It takes time, but remember that all the old age pensioners still are paying taxes; we all pay taxes, you know, no mattter whether we own our homes or live in apartments, rooms, or anything else.

Mr. Morison: Those making less than $1,500 do not.

Miss Neilson: We pay it indirectly. A person who is renting an apartment certainly pays a share of taxes. It is not the landlord who pays the taxes; it is the people who pay the rent who pay the taxes.

Mr. Morison: I am aware of that; I pay my own.

Miss Neilson: We had a letter from a man in New Brunswick. He was one of the first to write to us. He was not a senior citizen; but he said he is in business and that when the last raise for the senior citizens came through his business enlarged considerably. He said that if the pension is raised again he knows he will do more business and he hopes it will come through. He has done a lot in getting signatures to our petition.

Mr. Morison: Thank you.

Mr. Knowles: I wonder if I might take a moment to congratulate Mrs. Neilson on her answers to Mr. Morison. I am sure she realizes the committee generally appreciated the kind of replies she gave. I must say that some of us do not agree with Mr. Morison that there has to be an end somewhere in social progress. I hope we will keep on making social progress through the years.

I would like to ask you one question, and I hope it does not confuse your thinking at all. In your brief your position is very clear; you are asking that old age security be raised to $100 a month payable at age 65. As I say, you have made it clear. The two hang together; but in case we cannot get everything out of the Liberals, would you be willing to say to which you would give priority? Which do you think is more important—raising the pension to $100 or lowering the age to 65?

Miss Neilson: At first when we started this committee I thought perhaps from 70 years up was most important, but from the letters which are coming in, I find it hard to say, because I think it is most important to lower the age to 65. I could not say that one should be given priority over the other. However, we do know that at age 70 there are not many women who are able to carry on. Many women say they are doing this, doing that, taking in boarders, or doing some sort of thing, but they do not know how long they can keep it up,

and when they cannot keep it up, they do not have anything but the $75. Those between 65 and 70 are in very desperate need. I just could not say.

Mr. KNOWLES: I am sure you would welcome the support the Canadian Welfare Council this morning gave to the idea that the old age security pension should be made available at age 65?

Miss NEILSON: Yes, decidedly.

Mr. KNOWLES: I have noticed you have been around here and have been interested in this whole matter.

Miss NEILSON: Yes. I was amazed when the letters from the 65-year olds began to come in.

Mr. KNOWLES: May I get this clear. Initially your committee primarily thought of raising it to $100, but because of the correspondence you have had, you feel consideration really has to be given to the plight of those between age 65 and age 70.

Miss NEILSON: Primarily we had in mind age 65, but I suppose our thinking had not quite come down to age 65. However, in our petition we have asked for the age to be lowered to 65.

The CHAIRMAN (*Mr. Cameron*): Does that complete the questioning?

Mr. BASFORD: What is the size of your committee?

Miss NEILSON: There are just four of us.

Mr. BASFORD: Thank you.

Miss NEILSON: We have sent this petition right across Canada. We have had letters in every newspaper in Canada.When they write in and ask to have their name put on the list, we send them a letter thanking them and telling them we cannot do it. We ask them to send in a petition form and request them to fill it out. That is the way these petitions have come in.

There are very few of them who fail to come back and say "Send us another petition form," or who fail to write all the way from Newfoundland to the Yukon and ask for petitions.

The CHAIRMAN (*Mr. Cameron*): Your whole organization consists of four women.

Miss NEILSON: That is right.

The CHAIRMAN (*Mr. Cameron*): And you have done all this by yourselves?

Miss NEILSON: That is right.

Mr. LLOYD: In your letters do you attempt to find out whether they are against the means test in providing for old age security at 65 or 70? Is that what they complain about?

Miss NEILSON: Yes, they do complain about the means test. An old lady said to me: "I have $1,000 in the bank, and I can earn $400 under the means test, but for an elderly person who has to spend everything he has, and to get down to as low as $1,000 and who is unable to work at all, it becomes pretty frightening. One women told me that her husband is about 20 years older than herself, and she is in her early sixties. She said that the way I see my savings account melting away, I am just scared to death.

Mr. LLOYD: Let us forget about the argument for resources, and let us say for the moment that the test which is applied is done with good judgment. There are many people who do have some earnings and who are still working at the age of 65. Would you be satisfied if they reduced it to 65 and that the earnings would be applied as a test, not the income, not the money in the bank, not the property, but rather the earnings applied as a test? Would that be a gain, do you think? How would you feel about it to have just simply an earnings test, whether or not they have retired and are not earning beyond a certain sum.

Miss NEILSON: We do not feel that a means test is a good thing.

Mr. LLOYD: This would not be a means test in the ordinary sense of the word. When they investigate they would not want to know if you have property, or a savings account, but simply whether or not you are working and producing a certain level of income. Then if you go beyond a certain level in earnings, your pension would abate by a certain amount. Do you think that would be a gain?

Miss NEILSON: No, I do not think so.

Mr. LLOYD: It would be a gain, but I wonder what the reaction would be.

Miss NEILSON: From what I have heard, and from what people have told me about our getting social security assistance, when the supervisor comes, he will ask all kinds of questions. In some cases he may ask you how much money you have in your purse, and this would have a bearing on whether or not the assistance would be reduced. But that is a provincial matter of course.

Mr. LLOYD: Miss Neilson, I was not referring to that kind of testing, but purely to the case of employment testing with regular earnings. I think you have answered my question. You think that they would prefer it even without a means test.

Miss NEILSON: Yes.

Mr. LLOYD: And finally, I have found in my own experience that many older people do not like to be dependant upon families and children.

Miss NEILSON: That is right.

Mr. LLOYD: Of course many of them do claim dependants' allowances under the Income Tax Act, and I suppose the higher these payments go for the children they are claiming as dependants, the more they would have to pay in income tax, and that would be a good thing.

Miss NEILSON: Yes.

Mr. MUNRO: I want to ask one question. In one of the paragraphs of your brief you say:

> We understand that 4 per cent of the income tax goes to build up the old age pension fund. The prosperity of a country depends on the money that is spent and if the old age pensioners had $25.00 a month more it would be approximately $275 million a year which would give a tremendous boost to the Canadian economy.

How did you come to the estimate of $275 million that it would cost? Is that an estimate for $100 a month at the age of 65 and over?

Miss NEILSON: No, that was for $100 a month at the age of 70.

Mr. MUNRO: Perhaps I might supplement my question a little further before Mrs. Neilson answers it by pointing out that the chief actuary of the government estimated that on January 1, 1965, there would be in Canada 1,469,000 aged 65 and over, and 960,000 aged 70 and over, and he went on to say that it would cost $1,190,000,000 in order to pay $100 a month to persons aged 70 and over. Your figure seems to be about one fifth of the estimate of the chief actuary.

Mr. MONTEITH: No. This is additional for those over 75.

Miss NEILSEN: This figure of $1 billion was given to us by the deputy minister of the Department of National Health and Welfare, and it was for the age of 65 and over.

Mr. MUNRO: Your figure is $275,000,000 for the age of 70 and over?

Miss NEILSON: Yes, that is approximately the case, and Mr. Gordon told us it would come to a little bit more than that, but I do not know. That is approximately what it would be. As far as its coming to an end is concerned, I do not think that anything ever comes to an end.

Mr. MUNRO: No, I am not suggesting that anything is coming to an end. I am disagreeing with my friend. I just wanted to clarify the figures, because it was not quite clear to me whether you were talking about $100 a month as an increase from 70.

The CHAIRMAN (*Mr. Cameron*): That seems to be the end of the questioning, and I thank you for coming here and presenting your brief and for the explanations you have given us. Let me assure you that it will receive careful study. Thank you very much.

Miss NEILSEN: Thank you.

The CHAIRMAN (*Mr. Cameron*): I do not want you to leave unless it is necessary.

Miss NEILSON: We did put this brief in, did we not?

The CHAIRMAN (*Mr. Cameron*): Yes.

Miss NEILSON: We thank you for receiving us this afternoon.

The CHAIRMAN (*Mr. Cameron*): Now we have Mr. Anderson with us. I know he is willing to come back to answer a few more questions. We appreciate the fact that he has been with us this morning and this afternoon and we hope that he may have received something interesting out of it.

Mr. KNOWLES: I move that Mr. Anderson be made a member of the committee.

Mr. W. M. ANDERSON, F.A.S. (*Chairman, North American Life Assurance Company of Canada, Toronto*): Now that you have arranged it that I could listen to you yesterday afternoon, this morning, and this afternoon, perhaps you might authorize Mr. Guitard to append any remarks I make today as an appendix to the submissions made by these ladies' organizations with whom I would be very happy to be associated.

Hon. Mr. SMITH (*Queens-Shelburne*): The Chairman will please observe that I have raised my hand.

The CHAIRMAN (*Mr. Cameron*): Yes. The first will be Mr. Knowles, then Mr. Côté (Longueuil).

Mr. KNOWLES: I have already had my first round, so I shall be on the second round.

Mr. FRANCIS: I would like to ask Mr. Anderson, through you, a question relating to the prediction of rates under the Canada pension plan.

One of our witnesses before the committee indicated that the problem of integration with private plans was related to the fact that you could not foretell what the rates of the Canada pension plan would be 15 to 20 years from now.

I would like to ask two questions. Does Mr. Anderson think it would be desirable to spell out through legislation what the contribution rates should be that far in advance for the Canada pension plan; and secondly, what is the practice under private plans?

I know that Mr. Anderson knows this field very well. For how many years ahead, for example, are the contribution rates by employers and employees usually guaranteed under private pension arrangements?

Mr. ANDERSON: Well, Mr. Francis, I mentioned the germ of the solution in my evidence, and you questioned Mr. Myers on it yesterday.

The first point I would like to make is that if you are content, or if an employer is content, to integrate without making a profit there is no problem because he merely says, "I have to put so many dollars into the Canada pension plan. What would the Canada pension plan contributions have bought had they been put into my plan? I do not pay any attention to the benefits under the Canada pension plan; I merely say that my input is not going to change, and therefore since part of it is going to the government my output, in essence,

will change later. I will reduce each person's pension by what the Canada pension plan contributions would have bought had they been put into my plan." He does not need to know what the Canada pension plan benefits are going to be as long as there is any subsidy at all in that plan; and I think everyone can take it for granted that there are no such things really as government pension plans, looked at over-all, which have no subsidies. So he does not need to bother about the subsidy structure, nor does he need to bother about the pension contributions in the future, because he merely says that if and when the tax rates are raised by parliament it will mean so much less is going into his plan, and therefore the value of the equivalent benefits in his plan will be reduced later on.

It is only when the employer for various reasons, including the reason that he may feel he is putting too much in the plan today, gets into the area of benefit that he runs into the problems of not knowing what the Canada pension plan benefits are going to be in future. So my answer on this part of it is really to the effect that if you are engaging in integration through the financial interchange method, which I described, there are no problems.

The other part of the question was related to how far ahead private plans guarantee. The typical provision in private plans—and I think you will find it in your own civil service superannuation plan—is that the government reserves the right at all times to alter the structure of the plan in respect of future service. It says to the civil servants, "For service up to this point there are rights established for you, but we don't undertake to keep this plan unchanged for the rest of your service."

I think almost every private plan contains this provision, and they must contain it at the private level, although perhaps the government does not need it. The private plan must contain it because the employer has no assurance of his own ability to remain in the plan in the future as he cannot guarantee that he will put money into the plan at some future date. He may not be there; he may be bankrupt. So that all private plans make the statement—at least almost every one I have seen—that there is no guarantee of continuance of the plan in respect of his future service. So I think, putting it backwards, if I may, this means that even although the employer might not have any legal right, that is in law or by statute, to reduce contributions by the amount of the Canada pension plan contributions, he nevertheless has this contractual right because it exists in his own plan.

Have I covered the matter pretty well?

Mr. FRANCIS: I think so. I think it is very helpful.

If I may paraphrase your opinion just for clarity, it is, Mr. Anderson, that this is not really a serious problem as far as the committee is concerned? The fact that the legislation does not undertake to set out future rates of contribution does not raise an insuperable problem as far as integration is concerned?

Mr. ANDERSON: It may in a particular sense; and I think you should be aware of the sense. I have mentioned the point. If a private plan is now in such a position that it is regarded as being too expensive, in other words if the employer is in a position in which he claims that he must either now or later reduce his input into the plan, he may now want to integrate so that his long term net input will be reduced.

You have asked a leading question, Mr. Francis, and I trust you do not mind part of the answer being leading.

Mr. FRANCIS: Of course not. We are criticized for not having a specific provision, and I just want guidance from you and to know whether you think we should or should not have this provision.

Mr. ANDERSON: Let me put it in this way. You will not want this on the record; you might not like it, though it is not a party or government matter.

Take the problem of the civil service plan in which the process of integration has been of the benefit character in part, because the first step is to reduce the contributions on both sides. The benefits in the civil service plan itself are going to be reduced for many people, including the people who are in transition and who are now 55, by more than the value of the reductions and the contributions.

Perhaps I can put it more clearly in another way. Let us say a man goes into the Canada pension plan at age 55 and retires ten years later. This means, leaving aside escalation, that he will get $114.17 a month. His contributions to the plan, let us say, will provide the $14.17 so his net windfall is $90 a month. From the illustrations I saw for the civil servants entering the plan at age 55, it was apparent that they were not going to get $90 a month more pension than the civil service has been promising, so therefore the form of integration being used by the civil service plan is one that is designed to reduce the government's long term net input into the civil service plan. It may not reduce it in the long term in the sense that everyone is retired eventually, and the whole civil service will consist of people who went into the plan after it went into effect, so you can say the government has every right to change the plan. So they are not going to get the full benefit of the $90 windfall.

Mr. FRANCIS: But they will get some windfall.

Mr. ANDERSON: Yes, they will get some windfall, but let me give you an example of a man working for the North American Assurance Co. and a man working for the government, both men being of the same age and receiving the same pay. Our plan is, let us say, over-all at the present time roughly comparable to the government's plan, but we will let the man have the $90 windfall whereas the government is not going to let him have all of it. This illustrates the kind of problem to which the committee must pay attention.

In other words, if there are other employers in the country—perhaps the banks—which are similarly situated to the government and find at this juncture that it is desirable to reduce the employer input into their plans, at least for their existing employees, they are going to have an awkward integration problem whether they are doing this to make a profit out of the Canada pension plan or whether they are doing it merely as a process of redesigning their plan for existing people. I am not worried about the question of their motivation; I merely say that if they are going to engage in that kind of thing there is an acute problem, and it would be useful to have the civil service illustrations put on the record.

Mr. FRANCIS: There appears to be some difference between Mr. Kilgour's remarks the other day and your remarks.

Mr. ANDERSON: Perhaps there is. If the employer is content that his real problem is not one of profit, he has no problem at all in making the integration.

Mr. FRANCIS: The other question I wanted to ask is related to the brief Mr. Anderson filed, which I found very interesting. I wanted to ask some questions concerning the contention of a chronic labour surplus and savings shortage.

I do not believe all economists would agree with the analysis Mr. Anderson has made, and especially the contention of a chronic deficiency of savings. I would refer, for example, to the report of the Economic Council of Canada in the *First Annual Review*. I do not know whether Mr. Anderson has had an opportunity to look at this. At page 131 it is stated:

> —there would not appear to be any serious shortfall on the total amount of available savings, in the light of the rate of gross national savings indicated at potential output and the possibility of some capital inflow.

I recognize there are differences of opinion among economists, but does Mr. Anderson really feel there will be this shortage of savings and that the plan will have this effect?

Mr. ANDERSON: Mr. Francis, at that juncture I was not examining the economic effects of the Canada pension plan. I was merely making the observation that in a country that has had to import capital regularly over a great many years—we have had, as you know, a debit import balance on capital economy, and there is every prospect of having to import capital in the foreseeable future—you must say it is a shortage of internal savings because we have had to use foreign savings in the development of the economy. As long as this is the case, you can make the statement that there is a chronic shortage of savings in Canada. We make more investment than saving. Perhaps it may not be true in the personal sector. You may say in the personal sector we do pretty well. Our net savings in the personal sector, expressed internationally, are relatively high. So there is a shortage somewhere else, perhaps in the business sector, perhaps in the government sector. Across the country we have a continuing shortage of savings, and it is evidenced by our continuing need to import capital.

On the other question, that of a chronic labour surplus, you say there is a surplus existing in the labour market when there are more people seeking jobs than there are jobs available. This constitutes a surplus. Sometimes this may be technological; it may be the problem of people moving in and out of the market; or the unemployment rate may be high at times merely owing to the fact that you have a lot of vacancies that cannot be filled because the workers have not the right qualifications. But the view I have taken—and I think it was first developed by Lord Beveridge—is that you define full employment as the condition where the demand for earnings is equal to the supply of earnings in your country.

I have the feeling that in Canada the demand for earnings is substantially greater than the supply of earnings. It is evidenced.

Mr. FRANCIS: This is not the problem in western Europe, for example.

Mr. ANDERSON: Oh, yes.

Mr. FRANCIS: Nor in many other parts of the world.

Mr. ANDERSON: As I said, the supply of earnings has been much greater than the demand. It is hard to argue that Canada is in this position. We have not had to import labour as such, unless you take the view that our immigration policy is the way in which we import labour. If you take that view, the immigration figures in recent years, as the chief actuary has pointed out, have resulted in a net nil immigration rate for, I think, the last three or four years. So, it seems evident on all scores that that is the kind of report you get from consumers in respect of the type of jobs where there is a scarcity which you can match against unemployment.

It seems evident to me that we have been in a position where the demand for earnings in Canada exceeds the supply. If we get more automation I do not know how this will alter the situation. A lot of people are saying that automaiton is going to make these jobs scarce and that we will have to invent new methods and so on. I do not believe in a great many of these things. Our own experience has tended to be that while automation may conceivably cause a lowering of the rate of growth of the number of people working for you it tends to accelerate slightly the rate of growth of the earnings you pay out because with automation the quality in the labour force moves up, up and up. It may tend to offset any increase in the rate of expansion of the number of people, and this is all I mean. It seemed to me it was fair to use that as part of the premise. All I am saying is should not these two conditions at present,

be taken into consideration in analysing the form and levels of the transfer payments program?

Mr. FRANCIS: I was particularly interested in Mr. Anderson's remark—and I think he picked a particular appropriate group to make it to. He mentioned the approval of the government policies which would have the effect of making the position of a job relatively less attractive. To make jobs less attractive as a general policy seems a novel statement of public policy.

Mr. ANDERSON: Is it not part and parcel of this?

Mr. FRANCIS: I hope my colleagues in the Senate will not take offence, and I am sure they will not.

Mr. ANDERSON: Perhaps one of the methods of making onerous jobs less attractive would be to increase the size of the Senate.

Mr. MUNRO: In which case you might be good enough to become a member.

Mr. ANDERSON: I already have my application in but no one has paid any attention to it. One of the senators the other day asked me which side of politics I was on, and when I told him he said that it was too bad but that he had me in mind. I guess I will have to forget it.

But, as an example, the process of making jobs less attractive and more attractive retirement tests, regardless of why they may be used otherwise, does have this effect. Retirement tests, when applicable, make jobs less attractive. But, on the opposite side, through transition, the relatively high marginal windfalls in the plan will tend to make jobs more attractive for people within 10 years of retirement; in fact, it may tend to make fictitious jobs attractive. For example, take the case of a man who under his own private pension plan retires at age 60, and he is coming up to retirement five years after the plan starts into operation. He and his employer discuss it and the conclusion they reach is that his pension will be deferred and that it will not start until age 65. It is not going to be increased in amount. But, in the meantime he will become a consultant.

Mr. KNOWLES: Perhaps chairman of the board.

Mr. ANDERSON: And, he will be paid the amount of his pension, but that now will be a consulting fee. That does not affect the employer because that fee comes under self-employed income. There is no burden on the employer, as I have said, but the individual is in the happy position of going on making his contribution on what is really pension. But, as I say, it is called a consulting fee. At age 65 he now turns around and takes the pension. What he is getting from the private employer is not pension but rather a consulting fee because if it was a consulting fee it would be subject to a retirement test.

Now, I trust that these things are not going to occur in Canada. It might not be desirable for many of us to take the view that beating the plan is a fair thing to do in its early stages before these administrative problems have been thought out, dealt with and corrected. It may be all right to avoid a tax such as that which has been operating a long time because the lawyers all say that this is the right of any citizen. But this does not mean that new laws which, to some extent, are experimental, should be subjected to these avoidance procedures by the agile citizen, in thinking up ways and means of avoiding it before those in the Department of National Revenue and, perhaps, in the Department of National Health and Welfare have been able to think up ways and means of preventing the avoidance. It is not a very patriotic thing to take advantage of the government or the other contributors in that way. Have I covered this to your satisfaction, Mr. Francis?

Mr. FRANCIS: Yes.

The CHAIRMAN (*Mr. Cameron*): Would you proceed, Senator Smith.

Hon. Mr. SMITH (*Queens-Shelburne*): I think it is perhaps fair to say, Mr. Chairman, that the information and the observations which are contained in the brief that Mr. Anderson presented to us, together with those remarks he made yesterday were perhaps the most valuable we have had, both as to basic information in order to understand some of the problems of the future with regard to dealing with adequate income for aged people, and also his remarks regarding the bill itself and ways we possibly may improve it. Many things you said were of great interest. But, I did want to take the time to read into the record to remind the committee of something which was said in Mr. Anderson's brief at page 5, and if one has not thought in this fashion before it is really quite a startling thing to consider. Mr. Anderson said:

> —it is no exaggeration to say that the average level of consumer spending per person during retirement will exceed the average level of earnings per worker during the prior working years. This means that in the case of a typical worker with dependant spouse who has enjoyed average wages and has raised a normal quota of children, retirement income will have to average more than twice the career average wage in order to maintain the same relative consumer spending position during retirement as that which obtained during the working years.

Mr. Anderson, I wonder if you could fill in some basic information as to how you arrived at that conclusion. Are you thinking only in terms of the ever increasing standard of living in which that particular retired person and his wife will not be able to participate because of his pension or are you thinking of some other factors which produce that result.

Mr. ANDERSON: Mr. Chairman, may I first thank Senator Smith for reading the two sentences. I believe this puts them in the record for the third time. They are in the paper, and I read them yesterday. Now, you have. I am grateful that someone is content to help underline the key ideas.

Mr. KNOWLES: And, they will be quoted again.

Mr. ANDERSON: Of course, the problem is this. If I were like Mr. Watson I would have brought some charts down to show you what the problem is, and there would have been more. The problem is this: When you examine the pattern of earnings in the economy, that is, among the people whose major source of income is earned income, and you look at these people in an age group, take them from, say, age 25 on, because below that you have the problem of their being at school and working casually and so on—and you can run this up to age 95 plus—you will find that in any one year the average earnings for each age group are about the same. That is, the people in Canada that are in the same group, where the major source of income is earnings, have doubled average earnings by age group, which can be best described as being independent of age. But, when you take the retired population, and I suspect this would also be true if the structure could be carried downward, if you took the population that has not access to labour income and examine it by age group, and if you could examine it by the length of time that these people have been away from access, you would find the exact opposite pattern. That is, you will find that their private incomes tend to remain level, on the average, from the point where they lose access through the whole period that they lose access. This means, of course, when you examine these people by age groups you find that the older they are or, alternatively, the longer they have been retired, the lower their private incomes are. The reason being that they came out of the labour force at an earlier point in time, they came out at a point when wages were lower. The savings they were able to make were related to the lower wages they had, whereas the people who are younger from among the retired have

come out of the labour force more recently and have enjoyed higher average earnings throughout their working lives. They, in turn, have higher private savings. So you say: Does it make any sense to have a community that is divided into two parts, one part consisting of earnings where the average wages increase through time by reason of rising productivity and price and standard of living —they increase through time and yet at any one time they seem to be fairly independent of age—as against this private income level? Whether they are earnings or not, they are not major earnings. The private income levels seem to be level through time, they do not change as the years go on, and yet they do vary by age.

You say, "Is it right to have two parts of the community with these two opposite patterns?" Let us assume you say, "No; we would sooner have a kind of community where the pattern of incomes of the retired people by age group was comparable with the pattern of earnings of the workers." I do not say that this should be at as high a level as the worker's incomes, but I say the patterns should be comparable between the age groups. You say, "How can we correct it?" By putting in a big fat benefit—big from the fiscal point of view because the ladies have told us how small it is. You put in a big, fat, benefit, big in relation to the other income.

However, this does not alter the pattern except when you change it. All you do, when you change it, is to just shift the pattern; that is to say, that before the change the people who are aged 75 had this much income, and after the change they are going to have as much income as the people aged 70. This is all that the change does as far as the pattern is concerned. It then becomes a pattern until the next change.

Even if you do engage in annual changes, this would still not twist the pattern and would get the retired people at all times in the same income pattern as the workers. As far as I have been able to see, the theory is that if you did use an age related structure—never mind whether it is based on need—where at any one time the benefit had this $3 differential, you could now demonstrate that you have corrected the pattern, you have put the retired people into a pattern that is maybe at a different level from the workers, but has the same form, so that the total income of the retired people will be independent of the age group and will naturally move through time because of the turnover of freshly retired people coming in with higher incomes and older ones dying. It will be independent of age within the group.

I had thought that age was the only criterion for doing this, but one of my more imaginative friends said to me, "I think I have a better criterion which you could suggest to the committee". I said, "What is it?". "Well," he said, "just forget about age; it is hard to prove, and so on. I will give you a pattern that will do the same thing and will win elections." I said, "What is it?". He said, "Basically, you have a flat benefits structure. You say to everybody beyond a certain age that they are entitled to an extra dollar a month for every living voting descendant." I said, "How does it work out?", and he said, "It has this advantage—and you might have to put it up to $2 to make it work—that at $1 I have found that the man who is aged 70 on the average has, I think it was, about 17 voting descendants, but the man aged 90 on the average has over 40 living voting descendants". He then said, "You establish in my method a $25 differential between the ages of 70 and 90 and it is just as dynamic as your method because the older they get the greater is the number of their living voting descendants, so they get their increases by merely having grand-children who reach the voting age." Of course, if the New Democratic party gets in, they will want to lower the voting age anyway. They will say, "Let us lower the voting age, and let us put the system into force." When they get into power after winning the next election they will lower the voting age. Ultimately, and it might not be a bad idea, we might get to the point where parents voted in trust

for the children. So you do not abandon the problem of lowering the age limit and you get yourself into a position where every time a baby is born within the family tree, as it were, the great grandparents get another dollar a month and also the grandparents get another dollar because they are beyond the age limit.

Hon. Mr. SMITH (*Queens-Shelburne*): This is much better than the old-fashioned story we used to be told about counting tombstones in certain parts of the country.

Mr. ANDERSON: There are also other ways of doing it. Professor MacGregor, from whom you had a brief, is a person who likes studying these problems, and he said, "You know, I am fed up with the way you talk. You are much too sensible. I want a system whereby if I live to be 90 I want to be able to buy a new Cadillac every year. It will not cost very much; there are few people in their 90's." I said, "There is no problem about this one either. All you do when each cohort comes to retirement—let us say there are 100,000 people in each cohort—is to multiply 100,000 by $900, and you get close to $100 million." All right, you lay on $100 million a year for this cohort, and then, as he dies off, the survivors divide it up. By this method you really solve the problem. You will have complete fiscal stability for each cohort, $100 million a year until the last one dies. But then the treasury gets this great relief at the point where the cohort ceases.

I am sorry to be making these light remarks, Senator Smith, but you people have had a hard several days and I thought you might appreciate hearing them for a minute or two.

The major point I wanted to emphasize in those two sentences was not the point that I have just discussed, but the point that most of us cannot grasp in the kind of economy that we are living the fact that our average age of work is around 39. This is what they say in the census monographs.

In a situation where spending per person or earnings per worker or earnings per person have all been moving up for over three decades at a long term rate that is above 4 per cent, if this kind of thing continues—and I hope we will be sufficiently ingenious to make it continue at the 4 per cent level and have a 4 per cent productivity—the typical individual who is 74, and is therefore at the average age of retired people, is 35 years later than the typical point at which he worked. Therefore, if he earned an average of $4,000 while he was working, the workers of today, when he is 74, will be earning an average of $16,000. Even though he does not need a whole earner's wage because it is designed to support about 3 people and his wife needs about two thirds of an earner's wage, if he wants to have the same relative position in the community, he has to have an income from some source of about $11,000 a year although his career average was only $4,000. This has to happen merely in order to let him maintain the same relative position in the community, or, if you want to use a more common expression, to maintain his position in the pecking order. In other words, if, while he was working, he was in the position where 20 per cent of the population had more income than he had and 80 per cent less, he wants to be in the same position when he is retired.

Perhaps some people do not mind having lower incomes when they retire. I have wondered about this for years. How far do you try to go together both publicly and privately? I talked about this with some top people in the United States. I asked them, "What is your objective? What do you people try to achieve?"

Mr. FRANCIS: Adequacy, Mr. Anderson.

Mr. ANDERSON: I was not talking about adequacy. This is a question of individual desires. He answered me promptly, "The objective of everyone is to continue his earned income at retirement at 100 per cent level, and to have it

increase after he is retired in the same way it increased while he was working". This is a perfectly normal objective, but I do not say many people can achieve it. It is the kind of thing that people want to do. They would like to be able to do it for themselves, and most people try to do it to the extent that they can. However, one of the problems they cannot deal with for themselves satisfactorily, unless they are willing to succumb to the lures of the mutual fund boys, is that they cannot find a method of producing increases after retirement. They cannot find a way of satisfactorily doing this at the private level. This is why I have suggested that for most people the problem of increasing incomes after retirement is a problem which, in my opinion, only can be solved at the public level and may be deserving of a greater priority than the problem of supplying income as such. In a complementary society—and I believe this is one of the reasons why my beliefs are a little different from Mr. Knowles' and perhaps not as different as I think they might be—hopefully in this kind of a society you might arrive at a solution where apart from the means test benefits which always will be required if you are going to have a good social conscience in your country, the government did not need to supply anything but the post retirement increases. That might be all it needs to supply.

Under certain circumstances people might be able to move in the direction of attaining relatively set private income levels by the time they retire. If there should be enough people like the trust companies, government annuities branch, and life insurance companies shoving pensions at them for long enough, they might go as far as the merchants of pensions think they should go; but even the merchants of pensions, except the variable annuity people, have not been able to figure out a satisfactory medium of producing increases in income after people retire.

As I mentioned in my paper, it is technically feasible. Of course, you can ask George Watson's company to do so; if you are age 65, retired, and give him a lump sum, he will give you a life annuity that increases at 3 per cent, compounded, as long as you live. You can buy it tomorrow and supply yourself with the kind of increase I am talking about. However, the difficulty for most people in getting a satisfactory income when they retire is that the furthest distance they can hope to go is to provide it at level size for the rest of their lives.

It is extremely difficult for the individual at retirement to forecast what the wage levels and opportunity levels are going to be when he is in his mature ages, 20 years later. The experts say that it looks like it will be more than double what it is now; we do not know. Some think it might increase 50 per cent, or that it might treble. So, even if the individual wants to save the money, he does not know at what rate of increase he should provide his income. He is looking into the future. This is not a problem of pricing; it is a problem of productivity. It is a problem of not knowing what people will be spending money on 20 years from now.

We might take the problem of medical care for the retired population. the man retiring at age 65 has no conception of what medical care will consist of 20 years from now, what the procedure will be, what the price tag will be, or how it will be paid for. It will be impossible to forecast this within the atmosphere of a rapidly expanding profession such as the profession of medicine. The point I am making is that I do not know of any practical way—except possibly by having $1 million and deciding not to spend it, and hoping this will work—of providing in advance while you are working for the cost of this medical care 20 years after you have retired. This is not something that can be done in advance; it is not something that can be found at the private or public level; it has to be dealt with at the point where it emerges. It will be all right so far as earners are concerned. The earners will have this

built into their wages. There is not the problem. However, the retired people will not be able to have the upward flexibility of movement that the wage structure provides. He says somebody else has to give the flexible upward movement; he cannot find anybody else to do it except the government.

If you will permit me, Mr. Chairman, there is one point I would like to add to this. It is not very difficult to say, this fellow Anderson has this idea of relating the pensions by age, but if it is such a good idea, why has not anybody else tried it? As I mentioned, I feel it is something that only could be considered if there were a number of conditions precedent, any one of which missing would not make this feasible. The conditions I have identified, all of which I think are present in Caanda, are: first, that the country has enjoyed a reasonably rapid level of economic progress or upward movement and can anticipate that that will continue. This merely means you have a pattern of rising productivity and standard of living.

Second, the country must have enjoyed and have the prospect of enjoying a monetary policy that will make inflation a comparatively minor problem.

Third, the economy must be of a type where the great majority of the labour force are paid employees rather than self employed.

Fourth, the economy must be a type where the dominant form of employment is in the private part of the public sector, rather than in the hands of the state. Next, the economy must have had a tradition, and a likely continuing pattern, of relatively high private savings by the individual for retirement purposes. Next, it must be an economy that has two generation families in it since the retired people cannot rely on their children. Next, it must be an economy where the retirement periods are long, and therefore can become a major problem. If people died within a year or two after retirement, we would not be talking about it. Finally, I think it must be a country which has established enough social solidarity to have embarked on universal flat benefits.

Now, it seemed to me that if any one of those conditions is missing, there would be rather familiar arguments for not using this approach. It also seems to me that these are conditions which all of us would agree—except possibly the question of who your employer is—were desirable conditions and ones which we would hope would continue.

I have one thing which I am not sufficiently expert to know; that is, whether there is any other country which possesses all of these conditions. If there is, I think I would like to go and inquire and say, would this make more sense in your country than what you now are doing? There is no point in asking it in a country that does not have the conditions precedent.

I am doing pretty well in expanding questions into long answers.

Hon. Mr. SMITH (*Queens-Shelburne*): I think this is very interesting and is of real value. I would like to put what has been said in the context of integration of the Canada pension plan with private plans. I have an example of a situation which has come to my attention through some discussions and correspondence with the president of a company which company would have about 1,000 employees. He points out that under the plan they operate—a private plan, which is a 2 per cent premium system—

Mr. ANDERSON: Career or final average, or does he say?

Hon. Mr. SMITH (*Queens-Shelburne*): I am not sure. He gives the example of a young man who joined the company and the pension plan at age 21, retiring at age 65. This plan has been in effect since 1946, so it is almost half way to this 44 year period that the employee who entered at age 25 would be concerned with. Under that particular private plan, on an average salary of wages throughout his working life of $500 a month, he would obtain from this plan $440 a

month. From the Canada pension plan he would obtain $104 a month and from the old age security, at age 65, $51. Of course, these figures do not include any escalation. This would make a total of $595 a month. He thinks it is bad. He thinksh it is absurb to put the Canada pension plan on a plan such as they have and receive $595 per month—and it may be considerably more. He says he does not think this is required and that the man does not necessarily want to obtain that much.

Speaking of what I have read and what you have said, I think this particular friend of mine would be glad to have an opportunity to read part of this record to get a different understanding of the future needs of that man who is in that plan at age 21.

Mr. ANDERSON: Well, Senator Smith, may I summarize your thoughts. The man will get $595 a month—what is his salary?

Hon. Mr. SMITH (*Queens-Shelburne*): It is $500.

Mr. ANDERSON: In other words he will get 20 per cent more than his career average?

Hon. Mr. SMITH (*Queens-Shelburne*): Yes.

Mr. ANDERSON: We have cases of this kind in our own company. It is mostly in the case of girls rather than of men. But with the girls we have cases where the nominally combined pensions with our method of integration give a windfall to the individual which is well beyond his salary. We discussed it and we said: "What shall we do, because we are committed not to alter our cost". We said, "All right, if the government does not decide to age relieve pensions, as Anderson suggests, we shall do it ourselves." In other words, we have $400 a month which is initial on an 80 per cent pension, so to qualify for $200 we will take it out of the scheme and use it to buy him an increasing annuity so that he will be able to get this increased assistance, since the government is not going to give it to him. We will put him in a position whereby, when he is 75, he will keep pace with the community. This is not as benevolent as it may sound from our point of view.

We may say that we will not make a dollar out of it. But what has been happening in the post-war years to the government and the civil service? Periodically you have had to go through an agonozing review of your existing pensions and attempt to take further money to augment those pensions. We do not think this is an orderly process. We think it to be very costly to have to have to review people's pensions every few years and to have to adjust them upwards because they have become too low. We would like to see our own planned system built into the increases. We may find that the Canada pension plan may give us an opportunity to do this. We do not think we could have done this unless the Canada pension plan was going to make the initial pensions redundant.

If we handle it this way and pay the man $400 a month at retirement, and provide that he may get an increase, let us say, ten years after retirement, when he would get $600 a month, we would have to make adjustments, and we would have to keep him up to date. He would be in a much more satisfactory position than having to hope that next year his ex-employer may decide to adjust pensions; and besides it will also save the cost of adjustment that we have had to make. But I think we will get a lot of credit through the community for having put our pensioners in a position where they are able to keep pace with the community after they have become retired.

But one cannot be prepared to adjust it every year. In our own company we have had people who, through their careers, had occupied parallel positions and had the same kind of responsibility in different geographical areas of our company. One was five years older than the other. When he retired his pension under our plan was, as I recall it, $5,000 a year. But when the other man retired five years later with longer service, of course, his pension was, I think, around

$6,500 a year. These were people who had been friends all their lives. They had been neighbours and their wives knew each other. And they always enjoyed similar grades of salary during this long interval.

Now when the second man went into retirement we were in the crazy position that here are these two ex-employees, and we had paid them alike for 40 years, but now they are both pensioners, and they are still living as neighbours close to one another, while one gets $1,500 a year more pension than the other.

That is one of the situations which led us the last time we made our adjustments to say: "Let us find a formula of adjustment. Let us look up a pattern for our own pensions." And the answer we came to of course was, as I said yesterday, that you have to give the biggest adjustment to the people who have been retired the longest.

Mr. CHATTERTON: Did you find that you had a responsibility to the man who had only $5,000 after retirement? Did you feel that you had to do something for him after retirement?

Mr. ANDERSON: No. For five years he was retired, while the other man was active. And when the second man came to retirement, he was entitled to $6,500.

Mr. CHATTERTON: Did you feel a responsibility to do something on behalf of the man who was already retired?

Mr. ANDERSON: Goodness, no! We are located in various communities throughout Canada. We have agents, for example, who have worked for us for 30 to 40 years in small towns in the various provinces, and they are known as "Mr. North American Life", and they are continuing to live in those communities after retirement, and they are well known as being our people. We cannot forget about them, quite apart from your own feelings about it; we cannot afford to forget about them.

Mr. CHATTERTON: But did you do something about it?

Mr. ANDERSON: Yes.

Mr. CHATTERTON: Do you think that the government has such a responsibility in regard to its ex-employees?

Mr. ANDERSON: It was done the last time the government made adjustments, in 1948, when you used almost the same pattern that we used, by allowing the man who was retired longer to have a bigger percentage of adjustment. As I understand it there is a study going on right now about adjusting the payment of pensions already in payment. Any responsible employer who has a public relations problem, whether he wants to do it or not, really has no option, because he has to do it.

A thing I find unsatisfactory is what is being done with people who work for long periods for a large and responsible employer, but they do not constitute a very large group among the retired people. Most people are not in the position where they have had long periods of single service with one particular employer who is driven either by desire or necessity into adjusting his pensions. So I say that this is not a problem which can be solved wholesale at the private level.

I cannot see any solution to it at the private level because it is so widespread. That is why I say it is the responsibility of public authority in every country to find a rational method whereby to increase their income after they have retired. They are doing so in every country as I said yesterday. Some of them are doing it by indexing, others by automatic adjustments, and some by periodic legislation, or by financing. Indexing is not enough. We have to revise the incomes to adjust to the immediate requirements. All countries do it in their public systems. I am not speaking of the civil servants, but of

a particular social security system of a country, and they all do it in one way or another.

I was trying to make the point yesterday that there are various ways of doing it, and I think that a country could be justified on the question of other private income, if you should find that an age-related system was designed to accomplish what it has to do for the government when the problem becomes fiscally costly, because it could get to a system where there would be very little movement in the average benefit level per beneficiary in its old age security program. Yet at the same time the individual within the system by reason of the fact that he is getting older is getting his increase in that way rather than getting it through automatic indexing formulae or through periodic legislation, or by public authority. That is all I was trying to prove here. I do not think that you would age-relate it because of need. This is not a need problem. You would age-relate it because of its very nature. You justify doing it, and I have been able to do it by reason of the fact that you find that the oldest people have the lowest private income.

Mr. MUNRO: When you talked about a greater amount for people already retired you quoted an example, and it goes along with your argument that pensions should increase by age groups.

Is there a factor in your consideration of this argument that you make here that actually the need of a person who has been longer in retirement on an adequacy basis actually decrease in relation to the man who has just retired?

Mr. ANDERSON: On this point, I do not feel qualified to talk about peoples' needs. This is not the place, nor do I have the training. But I would make the observation that as the Canadian Welfare Council said this morning we do not know. And mind you, they are specialists in this field. They said we do not even know whether workers aged 50 have developed needs, or workers at age 30. But we would make the point that their actual spending is quite obviously lower because their incomes are lower. The question of what they what they ought to be able to spend is something that requires—what was the expression, Mr. Munro, that was used this morning? A slice of reality? You have to take a slice of reality to find out what are these needs.

Let us put it in this way. If you assume that the needs are level and independent of age, they may change in character, but the need for private spending—

Mr. MUNRO: Just a moment. On that point, do we really think the needs of a man of 90 or 95, for example, are as great as the needs of a man of 70? A man of 95, presumably, is going to stay in most of the time; he is not interested in durable goods; he is presumably not interested in going out and getting a new house. He is pretty old. I have heard arguments to the effect that this man does not have the need and does not spend the same type of money, and I am wondering if some of these arguments have validity and whether you have considered them. I wonder whether a government would not be subjected to certain severe criticism for actually increasing benefits to people when they get older, when perhaps the need is becoming less.

I know the argument in your brief is based on the fact that you feel the need becomes greater as one gets older.

Mr. ANDERSON: I think the over-all need most certainly becomes greater, but against that there is the fact that the government has moved far in a number of directions in providing services for old people which do not have to be purchased. Institutions and services for the aged are involved here.

So the needs in the cash sense may be quite different from the needs in the real sense. The real needs increase. The government has been helping to solve this problem by taking on an increasing part of the load by increased

services as age advances. Whether it is doing the right things in that area, I do not know. In other words, has government been forced to provide the services because the incomes were so low or—

Mr. MUNRO: Right, but there is this tendency to increase services such as hospitalization and medical care and so on. This being the tendency, does it not make it all the more important that this factor be considered, namely that in money terms the need becomes less as you get older?

Mr. ANDERSON: Let us take some of the other problems, and again I would say that I do not think I can be regarded as an expert at all. I bow to you, Mr. Munro, because you are a parliamentary assistant to the Department of National Health and Welfare. Whether or not you have the knowledge yourself, you are aware of the body of knowledge that exists there.

Mr. MUNRO: I am not even sure that I am aware of it.

Mr. ANDERSON: It seems rather obvious that the older a man is the less mobile he is likely to be. He might in his earlier activities have done a lot of walking and things like that; he might have had a car, and this sort of thing. Then he finds later on that he not only cannot walk but he is getting too old to drive a car, so now his mobility is of such a character that in order to move around he has to take taxis; so here is a new expenditure by reason of the fact that he is getting old.

Mr. BASFORD: He has probably lost the desire to move around.

Mr. ANDERSON: He may have lost it but I hope he has not. I rather question whether some of these rather elderly people have lost the desire. A lot of them have lost the means.

Mr. KNOWLES: Yes, that is so.

Mr. ANDERSON: Let us take another example, that of the elderly widow who lives alone and who, up to a point, is well able to handle all the household chores. The ladies who were here this afternoon demonstrated this. Then there comes a juncture at which she is unable to do this, so what does she do? She has to have help of some kind or other. If she is lucky she may be able to move in with a relative, but she may not be able to do this.

Mr. MUNRO: We are talking relatively. Certainly the desire to move around would be greater in the case of a man of 70 to 80 than in the case of a man of 80 to 90.

Mr. ANDERSON: Certainly the ability would not be as great, but I am not sure about the desire; certainly there is not as much ability to satisfy the desire.

Mr. MUNRO: Is there any co-ordination between ability and desire?

Mr. ANDERSON: I think it is rather futile to desire things you are not able to do.

The CHAIRMAN (*Mr. Cameron*): When you lose it, you are dead.

Mr. ANDERSON: I am glad you brought up this subject. I do not know enough about this problem, and even the experts confess they do not know enough; but I was not advocating this procedure on the score that the needs were greater. After all, the man who was aged 70 in 1952 has been getting $3 a month more as an individual over the last 12 years. He has only had four increases, but the yhave aggregated $3 per month. We have in fact been doing this for the individual.

I am not suggesting that we should do for the individual anything different from what we are doing now. I am merely suggesting that if you can defend the age related system on the grounds that the incomes are lower at older ages—private incomes—you can now find an old age security system that will do for the individual what you will have to do for him in any event, and at the same time

you will create a stable system. This is like having your cake and eating it too, and perhaps there is a buck in it.

Perhaps the more rational way is to progressively extend the freely provided public services so the man in his 80's has a set of services that costs nothing which he does not get when he is in his 70's. In some types of society this is the answer. I am a little doubtful that this is the kind of answer we are looking for in our society. I am doubtful that we should start categorizing these people and saying the older they are the greater variety of services they do not have to pay for.

The CHAIRMAN (*Mr. Cameron*): Mr. Knowles.

Mr. KNOWLES: Mr. Chairman, the questions I had intended asking were in another field. I have found this so interesting and fascinating that I would be willing to call it a day now. If the committee is going on, I will ask my questions but if the committee wishes to adjourn I will pass.

The CHAIRMAN (*Mr. Cameron*): Mr. Monteith.

Mr. MONTEIT: I am not concerned at this stage either.

The CHAIRMAN (*Mr. Cameron*): Mr. Basford.

Mr. BASFORD: I will pass.

The CHAIRMAN (*Mr. Cameron*): Mr. Munro, are you through?

Mr. MUNRO: I would have liked to asked Mr. Anderson quite a few questions, but I do not think it would be appropriate to do it at this time of the day.

Mr. CHATTERTON: I am sorry I had to be away from the meeting for a short time and missed some of Mr. Anderson's comments. I had a constituent here.

I found Mr. Anderson's comments so fascinating and interesting that he has given me almost an insight to a new approach to this question. I wonder if we can impose on Mr. Anderson at some time in the future and ask him to come back to talk to us again. I know it is an imposition on his valuable time, but other members have indicated that they still would like to ask some questions.

The CHAIRMAN (*Mr. Cameron*): I am sure Mr. Anderson will be only too glad to come back if we ask him to do so.

If we find as we go along in our meetings we would like to have Mr. Anderson back the invitation can be extended, and I am sure he will be willing to accept it.

Mr. ANDERSON: I am not sure whether Mr. Chatterton was in the meeting at the time we discussed the method of making sure that I would be back.

The CHAIRMAN (*Mr. Cameron*): I am sure he would approve of the method in any event.

Mr. ANDERSON: May I make one point in connection with what Mr. Chatterton has said?

I have been doing work on certain tables that relate to and illustrate some of the kinds of things I have been talking about. For example, I quoted yesterday incomes by age groups and so on, and there are other figures relating to the movement of per capita earnings in Canada, the movement of consumer spending per person, trying to establish the trends and so on. There are some other figures relating to the question of the Canada pension plan entitlement index, and the difficulty that it puts greater emphasis on variations on earnings at the younger ages than it does at the older ages due to the way in which the escalator operates.

I rather wondered—and I suppose I am free to do this in any event—if I could send a few tables of that kind, tables which do not give any opinions, or anything like that, but which contain figures which you might like to have for the purposes of the committee.

If I may do that, Mr. Chairman, perhaps I am entitled to get something back! A question came up today which I think was put by Mr. Cantelon with regard to the average age of the wives of the husbands who were now aged 65 to 69. I was a little suprised that nobody in the committee seemed to be aware of an excellent monograph which is published by the dominion bureau of statistics. This is part of the census monograph series, of course, but it is published in about the same form for this purpose as was done in 1956 and, I think, in 1951. One part of this monograph—table 95 in bulletin No. 211—gives what the mathematicians call a matrix. It gives the age groups of the wives, and here are the age groups of the husbands. This matrix shows how many couples there are in each one of those groups.

May I give you an example? The question asked related to 171,000 husbands at the census date who were aged 65 to 69. The dominion bureau of statistics has the answer here. It says that 1,200 of them had wives who were 70 and over; 47,000 had wives in the same age group; 59,000 had wives in the early 60's; 32,000 had wives in their late 50's; and it gives you the figures right down to the 14 people aged 65 to 69 who have wives under the age of 20. Do not laugh, gentlemen; in another part of the table I now identify five couples in Canada in regard to which the wife is 70 years of age or over and the husband is under 20 years of age. Furthermore, since the matrix is given for the province, on turning it up I find that one of these couples is in British Columbia, one is in Ontario and three are in the province of Quebec. I am making this remark for a purpose; I do not do anything just for free, you see.

The unfortunate part of this matrix is that they regard age 70 and over as one age group. In other words, it would be much better if they had five year age groups running all the way up to age 95 and over. But, as they have it here, it is all in the one block. It would be much easier in this way to tell what their age relationship is, which would be highly useful. I am making the plea that this committee, among other things, might recommend to the dominion bureau of statistics that treating ages 70 and over as a single age group is just not doing the job in respect of a great number of these monographs. As I say, I think you should persuade that department to get the computer operating and to extend the matrix for your purposes. In that way I will have this information available for my own purposes.

Mr. CHATTERTON: Have you made any calculations along these lines?

Mr. ANDERSON: I did some calculations where I had to sort of estimate these wives that were 70 and over with regard to what age they were over in order to put them in with these people that were 60 and 64. I find, as an average, depending on what age you estimate, that in cases where the husbands are 60 to 64 the wife is from five to 5.1 years younger than the husband. That is the average. As I say, for husbands age 60 to 64, their wives are about five to 5.1 years younger. For husbands ages 65 to 69 their wives are between 5.4 and 5.6 years younger on the average.

Mr. FRANCIS: Perhaps we should combine these statistics with the testimony put before this committee by Mrs. Weir in respect of her request for longer years of leisure for women.

Mr. ANDERSON: It is a striking characteristic of this matrix, and it applied in 1956 also, that in respect of the fatality of husbands and wives the difference in age averages about 3½ years. But, what happens down at the younger working years in particular? The difference is around three years. It moves up to this five year difference as people get older. I do not know the explanation for that but I could suggest an explanation. One, for example, is that husbands who are lucky enough to survive their wives—and of course, not very many of them do because mostly the wives survive the husbands—turn around and marry young girls.

Mr. MUNRO: Which refutes the argument that was made that they are more active as they get older.

Mr. ANDERSON: Possibly. Also, you all know that questions are put to members of parliament in respect of statistics. For example, the dominion bureau of statistics may report that there are 900,000 people in Canada at a certain time ages 70 and over who are receiving certain benefits, and the question will be asked how come the report says there are 930,000. There is an answer to it. The answer is: Our figures are right and the bureau's figures are wrong; if you do not believe it, go and ask the bureau. This may be the explanation. It may be the case that when the census taker comes along the older the wife is, regardless of her husband's age, the more prone she is to understate her age. Thi may produce the three years difference at the younger age and the five years difference in the 60 bracket.

Mr. MUNRO: Mr. Chairman, Mr. Myers is here. I believe the figures which Mr. Anderson is quoting are quite different from those in the United States. As I understand it, in the United States it is 2 to 2½ average. Do you find these figures quite a bit divergent in your experience?

Mr. ROBERT J. MYERS (*Chief Actuary, Social Security Administration Officer, Washington, D.C.*): The differential is more than ours. Our figures in respect of men aged 65 shows about a three year differential. The only other point I might add is that I think a large part of this increasing differential with age of husbands is not only due to widowers remarrying but by many marriages terminating in divorce. The man remarries a younger woman. I think that is a principal factor for this increase.

Mr. ANDERSON: That could not be a factor in Canada; our divorce rates are a bit lower than yours.

Mr. FRANCIS: Has any material of this nature been developed, through the records of the old age security department. It would seem to me the records of the old age security administration should be such as to cope with a problem such as this. Could inquiries be made to see if any information of a similar nature is available.

Mr. J. E. E. OSBORNE (*Director, Research and Statistics Division, Department of National Health and Welfare*): Mr. Chairman, I would like to point out that in the administration of the Old Age Security Act there is no question about the marital status of the recipient.

Mr. ANDERSON: May I put on the record the reason why I would like to see this matrix extended to the old people. It has to do directly with examination of their incomes. There are still a lot of married couples in their 70's; they are not all widowers and widows; when you do get married couples it seems to me to be fair to take the view that they are sharing their incomes on the average. That is, the income is so much, and you regard each as having half. So, for the purpose of examining income from private sources by age you have to know this other information, how many people there are in the couples that are in two different age groups, so you can redistribute the income for statistical purposes that you assume is redistributed within the family.

Mr. CHATTERTON: Mr. Chairman, it is 5.15 p.m. on a Friday afternoon and many members have to leave. Do I take it then that Mr. Anderson is prepared to come back and speak with us?

The CHAIRMAN (*Mr. Cameron*): I have taken that for granted. I hope I am right in that assumption.

Mr. ANDERSON: Mr. Chairman, it may depend on your timing and mine. As I understand it, there is a custom around Ottawa where the senators, on occasion, adjourn and they are not around; well, there is a custom in our family where during the winter my wife has her own private senate, which she

adjourns, and we go down to Florida. But, barring that I will be happy to attend. Of course, I do return on occasion. As I say, if a suitable time can be arranged I would be happy to come back.

Mr. KNOWLES: Perhaps we could arrange to hold a meeting down there with you.

The CHAIRMAN (*Mr. Cameron*): I am sure we would get unanimous approval for that suggestion.

Once again, Mr. Anderson, I want to thank you very much.

APPENDIX A9

THE MEANING OF THE CANADA PENSION PLAN FOR SOCIAL SECUIITY

By THE CANADIAN WELFARE COUNCIL
55 Parkdale Avenue, Ottawa 3, Ontario

December, 1964

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INTRODUCTION

(1) The Canadian Welfare Council is a voluntary association of public and private agencies, business corporations and labour organizations, church and citizen groups and individuals interested in policies and programs which affect individual well-being and social welfare in Canada. Through planning, consultation, research, and public education, the Council seeks to ensure for the people of Canada social security measures and social services, public and voluntary, that are adequate in extent, of high quality and soundly administered.

(2) This submission represents one method of working toward these objectives, namely, the presentation of an informed point of view to decision-making authorities. As with all Council-wide policy statements, the brief has been prepared by a special committee including representation from the various constituencies of the Council and appointed by the Council's Board of Governors.

(3) Finally, the report of the Committee was reviewed by the Executive Committee of the Board of Governors and endorsed for transmittal in its present form.

FOCUS OF ANALYSIS

(4) The Canadian Welfare Council is pleased to present its views on Bill C-136 to establish the Canada Pension Plan and amend the Old Age Security Act. The opportunity is especially welcomed as the Council recognizes the fundamental significance of this legislation. It is measure whose full implications it is perhaps impossible to predict with assurance, although valuable knowledge can be gained by reviewing the experience of other countries where emphasis has been placed on a contributory wage-related approach to income-maintenance programs.

(5) The introduction of the Canada Pension Plan is a landmark in the evolution of Canada's social security system. Once launched, major decisions will have been made which, in practical terms, are irreversible. For this reason, it is most important that thorough study be undertaken even at this stage and that serious consideration be given to submissions from informed bodies and individuals.

(6) Time and resources have necessarily circumscribed the Council's analysis of the more technical provisions of the Bill. The Council is well aware of the complexities of the legislation and the amount of time that is needed, therefore, to understand it fully. It is noted that the Joint Parliamentary Committee has found it necessary to devote the entire initial series of meetings to this basic requirement, which has necessitated the presence during the whole period of a number of specialists from various Government departments. In the circumstances, the examination which follows concentrates on the social welfare implications—an approach consistent with the Canadian Welfare Council's primary area of concern and competence.

(7) While being concerned with the well-being of all Canadians, the Canadian Welfare Council does have a particular obligation to those Canadians who for one reason or another are unable to provide for themselves. In the context of this submission, this group embraces people with lower incomes, widows, orphans, and disabled, whether or not such groups or individuals have been attached to the labour market.

BASIC CONSIDERATIONS

(8) No intelligent assessment of a proposed social security program can be made unless the assessment takes into account the rapidly-changing social order. At the risk of stating the obvious, it is noted that Canada like most other nations in the world today is having to examine values and concepts which, while serving admirably in the past, no longer hold as central a position as they once did. Indeed, the whole development of social security as we now know it and accept it is, from this point of view, a continual adaptation to changing social values and situations.

(9) The long-term implications of the Canada Pension Plan and the basic role envisaged for it in Canada's pattern of social security make it essential to assess the Plan in the light of probable future social and economic circumstances.

(10) The Canadian Welfare Council in 1958 recommended that:

> "The Dominion Government should appoint a Royal Commission to study all aspects of social security for which it has a direct or indirect responsibility, and more particularly, to make recommendations with respect to:
>
> (*a*) Gaps in existing provisions and priorities in dealing with unmet needs.

(b) The appropriate methods of providing social security benefits, whether by social insurance, statutory social welfare payments, public assistance, or by a combination of these methods, in respect of old age, unemployment, sickness, disability, death of the bread-winer and the cost of child-rearing.
(c) The development of a more integrated system of social security.
(d) Federal-provincial co-operation in the field of social security.
(e) The negotiation of reciprocal agreements with other countries in order to provide social security coverage on an equitable basis for immigrants to Canada and for Canadians residing in other countries.
(f) Other questions having to do with the design, content and administration of Canada's total social security system."

(11) Since the 1958 Statement was issued there have been of course a number of significant developments in respect to specific welfare programs and in federal-provincial relationships. None of these developments has reduced the need for a major review: in fact, some have made it even more urgent. Most unfortunately, in the Council's view, there has not been an overall assessment of the existing or emerging system of social security in the period since 1958. Certainly none has occurred publicly.

(12) It seems probable that the fundamental review envisaged in the 1958 recommendation will not be undertaken before the Canada Pension Plan is law. The unanimous vote in the House of Commons when Bill C-136 received second reading represented a clear decision by Canada's elected representatives to proceed with this new program, without having the benefit of a study by a suitable public body.

(13) While the Joint Parliamentary Committee has decided that it is free to examine the Bill as fully as its members wish, its terms of reference do not, of course, cover the range of subjects nor provide for the depth of analysis needed in a full-scale enquiry of the total social security system. The Council nevertheless believes that, beyond a thorough consideration of the Bill itself, the Joint Parliamentary Committee should consider these related matters as far as it reasonable in the circumstances.

(14) When consideration of the Canada Pension Plan has been completed, the Government of Canada is urged to give renewed consideration to the case for a comprehensive public review of social security in Canada, whether by a Royal Commission or a similar review body suited to the task.

LEGISLATIVE OBJECTIVES

(15) Since 1938 ten formal briefs dealing with the particular subject of income security have been submitted by the Council to the Federal Government. A much larger number of less formal presentations have been made and publicly recorded. These statements have all been reasonably consistent, having in mind the continuing evolution of social welfare concepts and the growing accumulation of specific legislation in this field. Three themes have predominated. They are contained in the following quotations from the 1958 policy statement, Social Security for Canada:

> "A major objective of any social security program should be to ensure the protection and support of the family by guarding it against the social hazards of modern industrial society."
>
> "The number of persons requiring public assistance should be reduced as much as possible, both through the adoption of preventive measures and through the development or expansion of social insurance and/or statutory walfare payments."

"Social security for all—both working people and those who are unable to work—depends ultimately on the productivity of the community. It follows that income-security measures should be designed and administered in such a way as to promote individual initiative and national productivity."

(16) It will be obvious, therefore, that the Canadian Welfare Council is in general agreement with the main objectives of the Canada Pension Plan, as reflected in the following statements appearing in the White Paper of August 1964:

"(The Government's) objective for retirement pensions...is to establish a contributory pension plan ensuring that, as soon as is possible in a fair and practical way, all Canadians will be able to look forward to retiring in security and with dignity."

"The Canada Pension Plan will provide pensions for widows and dependent children of contributors who die...similarly disabled people have hitherto depended on assistance programs...under the Canada Pension Plan there will, for the first time, be social insurance protection against disability."

"The Plan is comprehensive in the sense of covering as many people as is practicable. It is not intended to provide all the retirement income or survivors' income which many Canadians wish to have. This is a matter of individual choice and, in the government's view, should properly be left to personal savings and to private pension plans, subject in the latter case to such degree of supervision as the provinces may think appropriate."

"The purpose of the Canada Pension Plan is to make reasonable minimum levels of income available at normal retirement ages, and to people who become disabled, and to dependants of people who die. There will be scope for the continuation and extension of private pension plans to provide benefits over these minimum levels."

(17) In addition to this favourable view of the objectives, there are three other basic concepts in the Plan which are highly commended—portability, escalation, and subsidization. The Council has certain reservations, however, as to the particular application of the escalation and subsidization concepts in the Plan.

Portability

(18) By its very nature a national pension scheme establishes portability of benefits. Undoubtedly, with the basic pension on a portable basis it will be only a matter of time until other provinces in Canada follow the Province of Ontario's lead in passing legislation, effective January 1, 1965, which will ensure a measure of portability of benefits within private pension plans under provincial jurisdiction. The Province of Ontario is to be commended for this action and for organizing interprovincial discussions on this important matter. It is difficult to over-estimate the need today and in the future for mobility of people in Canada's labour force.

Escalation

(19) In its 1958 statement the Canadian Welfare Council reiterated its stand that:

"The planned provision of income security is made immensely more difficult by fluctuations in the purchasing power of the dollar. The more distant the future for which plans are made, the more critical becomes the importance of monetary stability. To the extent that stability cannot

be achieved, that fact must be recognized in the planning of the social security measures themselves."

(20) In addition, it has been recognized that the concept of an acceptable standard of living changes over time and that income-security benefits should be adjusted in accordance with the prevailing concept.

(21) The introduction of automatic escalation represents a major social policy decision. Before commenting on the application that is proposed in the Plan, the Council would draw attention to an even more fundamental social policy question, namely, the manner in which the initial ratio of benefits to prior earnings has been determined. The Council has been unable to find evidence that the twenty-five percent of prior earnings ratio resulted from a careful study which demonstrated that that particular ratio would result in actual benefit levels appropriate to the objective of ensuring a socially-acceptable level of income for those relying on the benefits, including the flat-rate pension, as their sole means of support. Planned adjustments in this basic ratio must be expected to operate along with the automatic escalation arrangement as finally devised. The combined effect of these two variables may in turn be to require some reduction in the scaling of contributions and resulting rates of benefit available at the upper end of the earnings range specified in the Plan. In other words, the proportion of earnings on which contributions are based might slope off in stages rather than flatten out at a single earnings level, now $5,000. The Canadian Welfare Council anticipates that the Advisory Committee will have a decisive role to play in dealing with such matters.

(22) It is noted that two types of escalation are involved at different points in the Canada Pension Plan, namely, an earnings index (which can move either upwards or downwards) and a pensions index derived from the consumer price index. The former reflects both the changing level of prices and costs and the changing standard of living, while the latter takes account only of increases in consumer prices.

(23) The Council is of the view that the earnings index should be used not only in the calculation of the initial rate of benefit but also for adjustments after benefits are in force. Those in receipt of retirement or supplementary pensions should be assured a share of the increasing productivity of this country.

(24) The utilization of the earnings index in the manner proposed by the Council might have important consequences for the economy and will have for the proposed financing arrangements. The Council has not had an opportunity to measure these effects although it is noted that the evidence already placed before the Joint Parliamentary Committee anticipates a continually-rising national productivity. Presuming rising productivity, use of the earnings index will mean larger increases than would employment of the pension index. Yet escalation through the earnings index should be manageable since, if employment is widely maintained, that index is a direct measure of the ability of the Canadian economy to carry a social security program.

Subsidization

(25) There is no serious disagreement today with the view that within social security measures, whether they be "contributory" or "statutory", degrees of subsidization are necessary in order that the level of benefits available to certain groups of beneficiaries may be socially acceptable. In the broadest sense this principle underlies all public welfare measures and in fact all expenditure from taxation.

(26) The Canada Pension Plan involves cross-subsidizations which are difficult if not impossible to trace with any degree of precision. Aside from

the transfers between present and future contributors which result from the method of the Plan's introduction, and the whole question of whether or not the Plan will continue to be self-sustaining from the contributions of participants, the draft legislation incorporates the following subsidization features:

1. The effect of the basic earnings exemption is to introduce a graduated scale of effective contributions into a rate structure which otherwise would increase in direct proportion to earnings and pension benefit increases.
2. The provision of a flat-rate payment to orphans and the inclusion of a flat-rate component in the graduated benefits available to widows and disabled persons has a similar effect.

The basic purpose of subsidization is of course to redistribute income to those in the covered population who are unable to provide fully for themselves from those in more favourable positions. While the Plan is paid for entirely by contributors the full and proper application of this principle is thwarted, to a significant degree, by the introduction of the $5,000 ceiling in that those above that earnings level are not required to contribute from the part of their earnings above that amount toward the redistribution objective. Thus, the effect of the ceiling is to establish a regressive relationship between those below and above the $5,000 ceiling. Later in this submission the Council advances a proposal which, if adopted, would reduce this inequity.

GAPS IN COVERAGE

(27) The objective of any new social insurance legislation should be to extend its protection to as many people as possible within the groups for which coverage would be desirable in order that dependence on means-tested public assistance can be reduced to the greatest possible extent. The Canada Pension Plan does set out to make its benefits available to as many Canadians "as is practicable", according to the August 1964 White Paper. In stipulating the population to be covered, certain groups have been excluded presumably because, in most cases at least, it has not been considered practicable to afford them coverage, rather than on the basis of the lack of need for income-maintenance protection, either now or in the future. The Council has examined the implications of these exclusions to determine if solutions can be advanced which would have the effect of reducing or eliminating some or all of the discrepancies which otherwise will occur. The concern which the Council has stems in large measure from its established position that persons or groups with similar needs should be afforded consistent treatment, insofar as possible.

(28) There are four groups that will not benefit at all from the Plan as it is presently designed:

1. those who, for a variety of reasons, are unlikely to become attached to the labour market;
2. those who, while attached to the labour market, do not earn enough to be eligible to participate;
3. those persons (and their dependants) who have retired from the labour market; and
4. those excluded by reason of being in excepted employment.

Within each of these categories there are people who are either now in financial need or who will require income maintenance in the future.

(29) Among those who are contributors to the Plan, a problem will exist for some whose record of contributions will entitle them to only partial

benefits and which may in fact remove them from some particular benefit altogether. Again, the breadth of actual coverage will depend to some extent on the interpretation placed upon certain provisions of the Act and the content of regulations under the Act. It is impossible for the Council to estimate how many Canadians will find themselves in an unsatisfactory position for these as possible.

Those Left Out of the Labour Market

(30) The Canadian Welfare Council is among the first to recognize that various forms of public assistance are and will continue to be available in a complementary relationship to the Canada Pension Plan. One objective of bringing in a social security measure like the Canada Pension Plan is to provide for the needs of as many Canadians as is practicable without the necessity of special application and detailed screening of applicants. Thus it becomes a point of prime concern to the Council if, under the terms of the Canada Pension Plan, a sizeable number of family heads who may be expected to continue as part of the Canadian community for a score of years or more will be permanently excluded.

(31) A number of Canadian families face long periods of dependence upon public assistance. Widows with small children and families where the head of the household is disabled would be examples. These are problems which require further careful consideration before adequate and equitable remedial measures can be found. With respect to the examples cited, one line of possible action would be for the Government to make provision for such people similar to that in the Plan by undertaking to cover the cost of benefit payments from general revenues.

Low Earners

(32) It would seem self-evident that those with earnings below the Canada Pension Plan minima are most in need of added old age and other forms of security. The Canada Pension Plan is based upon the assumption that people should be afforded supplementary provision for old age beyond the flat-rate benefit of the Old Age Security payment and that, over a period of ten years, this development will be brought about. In addition the new Plan will of course provide new forms of income maintenance for widows and orphans and the disabled.

(33) The Council recognizes that some minimum earnings level must be set in order to define persons within the labour force and limit participation in a wage-related pension plan to such people. At the same time it is the Council's view that the Government should conduct further studies in an effort to enlarge the coverage of low earners.

Those Already Retired

(34) The adequacy of a seventy-five-dollar-a-month retirement payment must be questioned equally in its application to those already retired and to those facing future retirement. If it is presumed that the escalation arrangement will be altered as the Council proposes, then the need for supplementation is no different for those now retired without additional sources of income and low earners who may be expected to be in this situation at retirement. At the same time, the fact is acknowledged that the retirement benefits of the new Plan will be introduced in stages over a transitional period of ten years.

(35) In recent months, the Special Senate Committee on Aging has assembled much evidence concerning the plight of many retired persons who are

obliged to depend upon the flat-rate pension of $75 per month as their sole means of support. What is not yet clear is the amount necessary to guarantee every old person a socially-acceptable standard of living. The Council favours a further immediate study to determine what would be the appropriate amount of a flat-rate pension. It is acknowledged that such questions as regional differences in standards and price spreads between urban and rural areas are not easily resolved. Such a study might well indicate, however, the desirability and practicability of introducng a differental between rates of payment to single persons and married couples.

Excepted Employment

(36) The Council recognizes that for a variety of reasons certain forms of excepted employment must exist. The position of persons who are excepted as low earners has already been discussed and likewise the defining of excepted persons by regulation and by interpretation. But other problems remain.

(37) Some question may be raised regarding the treatment envisaged for the Canadian armed forces and for the R.C.M.P. If this exception is necessary, does it imply some inequality in the pensionable position of federal, provincial and municipal police personnel? Would it not be possible for modifications to be made in both R.C.M.P. and army retirement plans so that they could be dovetailed with participation in Canada Pension Plan contributions and benefits? This, after all, is the problem with which thousands of private pension plans will have to cope.

(38) The proper integration of private pension plans with the Canada Pension Plan presents problems which must be of concern to all those invited to make submissions to the Joint Parliamentary Committee. Perhaps one example will suffice. Many private employers expect their female workers to retire at age sixty. Unless such people are ready and able to obtain new employment elsewhere, they are denied the opportunity to make five to ten years' contributions to the Canada Pension Plan. In the transitional stages of the Plan these contributions would yield much more than an actuarial return and the employer will therefore be blamed for the substantial loss in benefit if he requires the scheduled separation at age sixty to take place.

THE ADEQUACY OF BENEFITS

(39) The general question of benefit levels does not lend itself to easy analysis. Duration and recentness of contributions (including different lengths of time for different risks covered), the effects of escalation, the level and consistency of earning levels on which certain portions of some pensions are based, as well as differences in program objectives, contribute to this problem. However, certain general observations can be made and a number of specific points can be stated.

(40) In giving consideration to the adequacy of the proposed benefit levels, the Council has focussed attention on the position of particular "income groups" and categories of beneficiaries. Additionally, various inconsistencies have been examined which in the Council's opinion require modification if the fullest measure of social adequacy is to be achieved. The aim of the brief is to comment on a sufficient number of expected situations to show the broad nature of those problems of chief concern to the Council.

(41) Within the range of incomes which come fully within the Plan, the Canada Pension Plan provides the greatest degree of effective income security to those at and toward the upper end of the earnings scale. The corollary is

that the least real protection is available to those at or near the lower end of the scale. The fact that under the contributory approach the relative cost to the conributor decreases with the lower earnings does not, in this context, detract from the importance of the point.

(42) An examination of the tables provided in the August 1964 White Paper suggests that, under these circumstances, a relatively generous level of retirement pension is available to those who have enjoyed consistently high earnings throughout their working lives. After the Plan is past the transition period, a single contributor does very well if he is seventy and if he has been earning an average wage or better. Under these circumstances, even retirement at age sixty-five should pose no serious problem, although it reduces the pension level. At the lower end of the earning scale, a single contributor does less well. Indeed, an earning record of $200 per month will be necessary if he is to retire at age sixty-five with a pension of $101. Relative to his previous economic worth, that retirement pension may be considered substantial. In terms of his social need, it may be only barely adequate. As a general rule those Canadians who have only been able to sustain an earnings record of $200 per month or less are the least likely to have been able to provide for private supplementation.

(43) A contributor with a dependent spouse of younger age faces an entirely different prospect. Until such time as the spouse reaches age sixty-five, the single rate must suffice. If need exists, public assistance is required. A contributor who retires while still maintaining a spouse and dependent children, a situation which is not infrequent, may be in an even more difficult position.

(44) The Council is of the opinion that consideration should be given to developing retirement pensions which provide dependants' benefits, to cover the normally short period of years before the spouse who is younger receives a pension in his or her own right. This concept, which is already an accepted principle with respect to war pensions, should be extended as well to dependent children.

(45) Another particular facet of the Plan merits attention. During the transition period a large number of Canadians will retire without having had the opportunity of contributing to the Plan long enough to earn the full benefit. To provide for this group, the Council would recommend again at this time that the full amount of the basic Old Age Security payment, currently set at $75 per month, be made available to those who retire between ages sixty-five and sixty-nine and to their dependent spouses provided that, on an earnings-test basis, there is no reduction called for in the wage-related portion of their pension. In other words, this $75 pension at sixty-five or upwards would be confined to those who are out of the labour market and whose earnings are limited as defined in the Plan.

(46) While the availability at sixty-five of the full Old Age Security payment for those who have retired with inadequate means is most important during the transition period, the Council believes it makes equally good sense as a permanent feature of the Plan.

(47) In light of this proposal, it is suggested that the option of taking the Old Age Security on a pro-rated basis between the ages of sixty-five and sixty-nine should be re-examined. Similarly, another look might be taken at the alternative of a gradual lowering of the commencement age for the full combined retirement plan.

(48) As has been recorded above, the Canadian Welfare Council commends the Plan for providing social insurance protection against disability. However, the provisions respecting disability would seem to need improvement in two directions.

(49) The disability pension available to a single contributor should be sufficient to provide an adequate minimum income in all cases. While the Joint Parliamentary Committee has already been advised that this is a costly provision, the Council nevertheless holds to the view that the level of benefits must furnish sufficient income to ensure that the disabled person can live at a socially-acceptable standard of living. To the extent that it is practical to do so, account should be taken in determining the minimum amount of certain additional living expenses which may be attendant upon the disability itself. Again, it is necessary to note that even those contributors earning $4,200, a little over the present average wage, will receive a benefit totalling $90.63 per month. At $1,200 a year, the figure would be $43.75. The absolute minimum is of course lower still. The prospect of a relatively young person living a lifetime at this sort of standard hardly commends itself.

(50) The Council would also argue that provision should be made for the dependants of the disabled contributor. The alternative is the utilization of public assistance where need is apparent. Yet the importance of maintaining the family unit in as nearly a normal way as possible is a recognized social objective.

(51) The Council's concern in respect to the widows' pensions is again with the adequacy of benefits provided. For a large number of widows aged 45 to 65 without dependent children, a monthly benefit of say $39, $53, or even the maximum $64 per month is hardly adequate. It is recognized that the problem which exists in the case of a widow (without dependent children) below a certain age is more difficult to measure. The Plan proposes a scaling down of benefits to the point where at age thirty-five no pension is available. Before the scalling-down technique is finally accepted, the Council is of the opinion that alternatives such as an earnings test might be examined.

(52) The provision of a flat-rate benefit for orphans (as defined in Bill C-136) is commended, although how the particular amount of $25 a month was set is not clear to the Council. In any case, the ceiling placed on the total benefit that can be paid to any one family is in the Council's opinion unsound and should be removed.

(53) The Canadian Welfare Council does not advance these various recommendations relating to the adequacy of benefits without full recognition of their consequences. The Canada Pension Plan, as interpreted in the White Paper, seeks to guarantee the security and dignity of those covered by extending reasonable levels of income maintenance. The Council holds that this objective must be translated into realistic achievement for the largest possible number of Canadians, including those at the lower end of the earning scale. All the proposals made above have been directed towards this goal.

(54) The Canadian Welfare Council has advanced a number of suggestions which depart to some degree from the contributory concept which is central to the Pension Plan. The purpose has been to introduce and stress minimum benefits in line with suitable social objectives and to lessen dependence on means-test assistance. A contributory plan should be designed so that those parts of it which cannot with justice be paid for entirely on a contributory basis by individuals or heads of households should be identified and financed from other sources. It is the Council's contention therefore that these extra benefits should not in all cases be paid for fully and directly by Canada Pension Plan contributors. Supplementary funds in support of such special purposes

within or complementing the Plan should be financed from general revenue as tax-supported undertakings of one or more levels of government.

(55) To a considerable extent the Council's proposals in this section on adequacy of benefits merely involve alternative ways of organizing and paying for services. A calculation of the additional net cost has not been attempted. The Council's emphasis rather has been upon desirable social objectives which can in due course be achieved.

REVIEW PROCEDURES

(56) It will be recalled that attention was drawn to the need to assess the Canada Pension Plan, like any social security measure, in the light of future circumstances. Consequently, the Council believes that any plan as basic as the Canada Pension Plan should have built into it procedures which ensure that formal assessments will be made of its operation. It is important also that the results of such assessment should be readily available to the public.

(57) Review is provided for in Clauses 116, 117 and 118. The Council believes that the procedures set down would be strengthened by the deletion of the phrase, "the state of the Canada Pension Plan Investment Fund" in Clause 117(4), and by the inclusion of a more precise definition in Clause 117(1) of the composition of the Advisory Committee. It should be made quite clear that in addition to their representative character, those appointed to this Committee should be persons of stature, technically competent and experienced in matters relating to this field.

(58) The Council urges that the Advisory Committee be required to prepare, in addition to its annual report, a quinquennial review and to table each of these documents in the House of Commons, as is required of the report of the Chief Actuary (Clause 116(3)). Observance of this procedure would enable Parliament to consider whether or not the Plan was achieving its social objectives in the light of current conditions.

APPEALS PROCEDURE AND OTHER COMMENTS

(59) This submission to the Joint Parliamentary Committee would be incomplete if it did not draw attention to several questions which, in the Council's view, require serious consideration. The first of these concerns the appeals procedure made available to the individual contributor or beneficiary. The Council is not certain that the appeals provisions are in fact adequate in their present form, particularly to safeguard the position of persons with small incomes who are required to become contributors and whose benefit entitlement might be in dispute. It would be most unfortunate if the appeals provisions which became law were deficient in any significant way. It is urged therefore that this part of the Bill and the pertinent regulations be subjected to the most careful study before being finalized.

(60) The above comment gives rise to a second observation, namely, the complexities of Bill C-136. The Council has noted from evidence presented to the Joint Parliamentary Committee that the Department of National Health and Welfare anticipates the need for interpreting this program in laymen's language. Additionally it is noted that the Bill authorizes the responsible minister upon request to advise a contributor of his earnings record once a year. The Council recommends that each contributor be furnished with a record of contributions once a year. In addition it is suggested that consideration be given to the practicability of calculating and reporting similarly on the contributor's general benefit entitlement.

(61) In relation to the difficult questions raised in the two previous paragraphs, the Council further recommends that these matters both be accorded particular attention by the Advisory Committee as part of its initial review of and report on the Plan in operation.

(62) The need for adequate statistical data is self-evident. It is to be hoped that computers can be programmed in such a way as to ensure that ten, twenty or more years from now, major decisions that may be necessary are not made more difficult because of the absence of necessary data.

(63) Finally, the Canadian Welfare Council wishes to express the view that flexibility should be preserved in the making of those regulations which will affect the eligibility of Canadians to benefit by the Canada Pension Plan.

COMPLEMENTARY PROGRAMS

(64) The Council recognizes that no single plan can meet all contingencies, no matter how well constructed and administered. While the Canada Pension Plan, if modified as suggested, will provide a central pillar of basic security for the majority of Canadians, complementary welfare provisions will plainly be necessary for the foreseeable future to round out the overall social security program. Basically, two types of welfare undertakings are required—the supplying of income to those in need and not otherwise provided for, and the provision of other social services for all Canadians who require them. Both are already in operation throughout Canada to a greater or lesser degree, while among the unmet needs is the whole question of sickness cash benefits.

(65) This submission has already noted that an overall assessment is needed of all social security programs if the most rational use is to be made of social welfare resources. Pending the completion of such an overall assessment, studies should be initiated immediately by the Department of National Health and Welfare to ascertain both for the short and long terms the probable impact of the Canada Pension Plan on present and future public assistance caseloads in order that provincial authorities responsible for the administration of these programs might have assistance in adjusting their operations to the extent warranted.

(66) The provision of social services for all Canadians, whether they are in receipt of income security benefits or not, is a matter which has engaged the attention of the Council for many years. Basically the position is that such services, whether they involve personal counselling, help in planning living arrangements or other such help, should be available in the community for those individuals and families who require them from time to time. The fact that this is being raised in the context of the Canada Pension Plan should not be taken to suggest that a direct relationship exists, or should be presumed to exist, between the receipt of publicly administered money benefits and the need for social services. Rather, the point to be made is that the receipt of "automatic benefits" should not make it more difficult for those who need such services to obtain them.

(67) If it can be said that the Canada Pension Plan will provide income maintenance with dignity for a large segment of the Canadian people, this development should not allow the Government of Canada, the governments of the Provinces and their municipalities to lose sight of the importance of attaining the same objective for those in receipt of public assistance.

(68) The development of an improved system of public assistance remains an important immediate objective. The Council's position was included in its 1958 policy statement in this form:

"The basic function of public assistance . . . should be to serve as a residual resource for people in need who are insufficiently cared for through other programs or who slip through the meshes of their provisions. Public assistance is the final guarantee that such people shall not lack the necessities of life."

"There should be a federal Public Assistance Act which would be, in effect, an extension of the Unemployment Assistance Act and which would enable the Dominion government to share the aggregate costs to a province, and to the municipalities in a province, of providing financial assistance to all persons who are in need. The Old Age Assistance Act, the Blind Persons' Allowances Act and the Disabled Persons' Allowances Act should be incorporated as specific sections of this general Public Assistance Act. The proposed Act should, under these sections, provide the provinces with the option of continuing old age assistance, blind persons' allowances and disabled persons' allowances as separate programs, or of incorporating these categories in a generalized public assistance program with the same provisions respecting the sharing of costs as in the Unemployment Assistance Act."

"The operation of all public assistance programs should be based upon sound and clearly defined standards, particularly with respect to:

(*a*) Amount of assistance. The appropriate federal or provincial authorities should determine, on a continuing basis, the minimum costs of individual and family maintenance at a level consistent with health and decency. This implies:
  (i) A definition of what constitutes a minimum level of health and decency.
  (ii) A schedule of minimum requirements based upon this definition, and related to the age and size of the family unit.
  (iii) The periodic translation of minimum requirements into monetary terms, appropriate to the specific community, which would form the basis of public assistance payments.

(*b*) Administration. A substantial part of the effectiveness of public assistance programs depends upon the quality of administration, since the way in which applicants are assisted is in itself an essential part of the benefit provided by the program. This implies:
  (i) Adequate provision for qualified staff, equipment and offices.
  (ii) Effective use of social welfare services, such as casework and counselling.
  (iii) Prompt action on applications for assistance.
  (iv) The right of appeal against administrative decision."

(69) Finally, at no time should the Government of Canada or the governments of the Provinces lose sight of the overall objective—to develop a system of social security for Canadians composed of individual programs which have been carefully devised and which are capable of being welded together into an integrated and balanced whole.

APPENDIX A10

CONGRESS OF CANADIAN WOMEN, TORONTO.

(Lower the Universal Pension Age to 60 for Women)

DECEMBER, 1964.

Honorable Members of the Committee:

On March 2 of last year, following upon the announcement by the Minister of National Health and Welfare, that the Government was preparing to introduce a Canada Pension Plan, our organization submitted to the Prime Minister and to the Hon. Judy LaMarsh its views on one important aspect of the proposed Plan, namely, the universal pension age at which all citizens are entitled to receive the full Old Age Security Pension.

We now wish to draw this submission to the attention of the Commission for its consideration.

May we say in introduction that the views we expressed at that time have not changed. Indeed, they are increasingly confirmed in the face of the speed of present-day technological developments. These developments which constitute a veritable "technological revolution," call *now* for concepts and corresponding practical measures to meet the needs of our drastically changing society.

The text of our submission of March 2, 1964, follows:

LOWER THE UNIVERSAL PENSION AGE TO 60 FOR WOMEN

We welcome the proposal of the Government to introduce in the present session of Parliament an extended Canada Pension Plan—a plan that is to be made up of the $75 Old Age Security Pension payable to all Canadians at 70, and the maximum contributory pension of $100.

Adoption of a plan of this kind will mark a step forward in making it possible for those who have pioneered and worked hard and long to build up our highly industrialized economy to spend their declining years more free from the want and deprivation all too many of them now suffer.

But the proposed plan falls short of what is needed today.

We want, in this submission, to deal with only one aspect which in our view cannot be omitted from any serious consideration of such a plan if it is to provide an adequate solution either for present needs or for the future.

We refer specifically to that part of the plan dealing with Old Age Security, that is, the proposal that the universal pension age at which every citizen receives the Old Age Pension remain at 70 years, and at 65 with the means test.

This, in our opinion, is an outdated concept no longer in keeping with present conditions and needs.

The speed and intensity of today's production processes have produced strains and stresses in modern working and living conditions that have greatly affected the working life of men and women. Their ability to continue working until the age of 70 before they are entitled to an unconditional and full Old Age Pension becomes considerably impaired.

It is basically for this reason that we recommend that the universal pension age be lowered—to 60 for women and 65 for men, and without the degrading means test.

Canadian Women Need Pensions at 60

The women of Canada have played an important part in building up our country—in industry and offices, on the farms, in the professions and in their

communities. And not least, they are in addition and in the majority, mothers and homemakers. Theirs is a multiple responsibility: they are the bearers of the country's children and spend a considerable part of their married lives in rearing them; they are the homemakers, with the many hours of work and the anxiety that entails particularly when, as is the case, the incomes of the majority of families are below the standards recommended as adequate by welfare bodies. In addition, increasing numbers of them are going out to work and/or taking part in socially useful activities outside the home. But whether going to work and keeping the home besides, or devoting themselves entirely to the family, their health is affected by the excessive strains and demands of our modern speeded-up society.

What is the situation that today confronts women of 60?

(*a*) Many, because of the factors mentioned above are exhausted at an earlier age. They are unable, or find it increasingly difficult either to maintain themselves, or to support or help support a family.

(*b*) Many others, because of their age, are laid off with little or no hope of getting another job. This is particularly the case today. New techniques and automation are displacing more and more workers, both men and women. Measures have not been taken by government and industry to regulate the automating economy so that it can absorb the growing labor force. If chronic mass unemployment, which has become a feature of the Canadian economy, is to be ended, and if the large numbers of young people who yearly come on to the labor market are to be given a place in the work world, the earlier retirement of older workers becomes all the more necessary.

In these circumstances the ten years between 60 and 70 become for all too many a painful period—how to even exist, let alone enjoy a measure of comfort and decency after long years of work.

Can Canada afford to lower the universal pension age?

We maintain it can.

1. The great accumulated wealth of our country rests on and keeps on growing on the foundation of the labors of succeeding generations of working men and women. We have great natural riches. Our working people are skilled. Our capacity to produce rates among the highest in the world.

Standing already today on this high productive plane, Canada is entering the new industrial revolution based on electronics and automation. Our potential to produce will soon rise to new heights. The social consequences will equal the sweep of the new productive capacity.

The Government has the responsibility, in the face of these fast-occurring changes in industrial techniques, to act in the interests of the common good. It must take the necessary legislative action to ensure that the country can absorb this great new wealth and distribute it equitably among the people—the ultimate consumers of all production.

The social need to meet the onrush of the new industrial revolution is the provision of more leisure time. One of the means of providing more leisure time is through an earlier retirement age with pensions adequate for the maintenance of *socially accepted* living standards.

Indeed, Canada cannot afford to take those steps now. Our Government can and must prepare the country *now* for the new age of abundance. That is its duty to the people.

2. We submit that the additional needed funds could be made available for extended pension purposes such as we propose:

(*a*) by taxing the great accumulations of private corporate wealth and profits that have come out of the labor of working men and women;

(*b*) by a drastic cut in the enormous and largely wasteful military expenditures.

3. Pensioners constitute a considerable body of consumers in the country. Adequate purchasing power in their hands will make for a healthy national economy. It will help to create employment.

And equally important, retirement at an earlier age, and with a suitable pension (presently proposed schedules are not nearly enough), will give our older citizens a longer period in their declining years in which to be free from want and anxiety—a time of well-merited rest and enjoyment of the latter years of life.

LOWER THE UNIVERSAL PENSION AGE NOW!

We would like to note, on the basis of inquiries we have about pension plans in a number of countries, that *in almost all of them* the pension age is lower than 70—whether the plan is universal, contributory, based on years of service, or a combination of these and including the means test. The point we want to make is that the principle of a lower retirement age has been established in most countries, regardless of the nature of their pension schemes. In Great Britain, for example, it is 60 for women and 65 for men, with a means test; in Switzerland 63 with no means test; in New Zealand 60 with means test; in Denmark 62 and 67—no means test; in U.S.A. 62 and 67 with means test; in the USSR 55 and 60—no means test.

All this only serves to strengthen our opinion that in Canada, which ranks among the highest in industrialization and national wealth, the taking into account all the factors we have mentioned, the universal pension age should be reduced to the levels we recommend—60 years for women, and 65 for men.

In conclusion: the time is past, in this age of electronics, of great and growing productivity, when Old Age Pensions can be looked upon as an act of public charity and the recipients as paupers to whom a dole is handed out. We repeat and want our legislators to ponder over it—that it is the working men and women who have created the great wealth of our country, the greater part of which has found its way into the hands of giant monopoly concerns, while those who have created it find themselves in the majority nearing the end of their lives in want or near want by today's accepted standards. Is it not time to put an end to this shameful situation, to make it possible for our older citizens to retire on a decent pension and at an age when they still have before them a fair number of years in which to rest and enjoy life and to engage in activities according to their interests? We can do no less for them.

APPENDIX A11

Dated January 13th 1965

IN THE MATTER OF

Petition for the lowering of
the Universal Pension Age
to 60 for Women.

STATUTORY DECLARATION
of
VIOLET DEWHURST

Wray, Russell, etc., Barristers,

731 Dovercourt Rd. Toronto 4. Ont.

DOMINION OF CANADA
PROVINCE OF ONTARIO
COUNTY OF YORK
TO WIT:

In the Matter of Petition for the lowering of the Universal Pension Age to 60 for Women.

I, Violet Dewhurst, of the City of Toronto in the County of York, Secretary, DO SOLEMNLY DECLARE THAT:

1. I am Secretary of the Congress of Canadian Women which body has presented the above mentioned petition for signature by adult persons across the Dominion of Canada.
2. I have personally counted the signatures and addresses on the said Petition and find them to be from various places throughout Canada.
3. There are 3,960 signatures endorsed on the said Petition.

AND I make this solemn Declaration conscientiously believing it to be true, and knowing that it is of the same force and effect as if made under oath, and by virtue of "The Canada Evidence Act."

DECLARED before me at the City of Toronto
in the County of York
this 13th day of January
A.D. 1965

VIOLET DEWHURST

Blair H. Thomson,
A Commissioner, etc.,
Notary Public for Ontario.

(Note: *the petition mentioned herein has not been tabled.*)

APPENDIX A12

BRIEF presented to the Government by

THE SENIOR WOMEN'S COMMITTEE FOR PENSION INCREASE

(Toronto, Ont.)

The Senior Women's Committee for Pension Increase was formed last spring by women in Toronto as a result of a trip through the provinces to the West Coast, and finding the distress among Senior Citizens who are compelled to subsist on $75.00 a month the same in all provinces. We decided to issue the following petition:

> We, the undersigned, request the Federal Government to raise the Old Age Pension to $100.00 per month, tied to the cost of living. We also request that the pension age be reduced to 65 years.

With the help of the newspapers this petition has gone across Canada from Newfoundland to the North West Territory. We have thousands of signatures and letters in support of it.

We strongly object to the people being indoctrinated with the idea that the Old Age Pension is charity.

The Pension is not enough for anyone to live on and the Governments acknowledge this in giving supplementary aid, one province gives $24.00.

The price of a decent place to live plus other expenses especially drugs is impossible on $75.00 a month. Most of those trying to live on this are hungry and cold, they are lonely, afraid and sick.

Our Senior Citizens have all done their part in building Canada into the wealthy country it is today and we are passing on the results of our work to the younger people as the result of the work of our parents and grandparents was passed on to us.

We understand that 4% of the income tax goes to build up the Old Age Pension fund. The prosperity of a country depends on the money that is spent and if the Old Age Pensioners had $25.00 a month more it would be approximately $275 million a year which would give a tremendous boost to the Canadian economy.

The age for the pension should be reduced to 65 years. No one in Canada can get work when nearing this age and it would take about $15,000 for a couple to live for 5 years until they qualify for the pension and few people have that much saved.

It is reported there will be a surplus of approximately $400 million in the national budget and we respectfully suggest that the Government has on hand sufficient funds to raise the pension immediately.

We agree heartily with your statement that Canada needs an expansion policy and there would be no better way than to give those who need it an adequate income.

Conditions in Canada have changed and it is criminal that so many people are living in poverty on the present pension in a country as wealthy as Canada,

therefore we respectfully urge that the pension be raised to $100.00 per month at the age of 65, so our elderly people can live in dignity and self-respect.

Respectfully submitted,

ETHEL NEILSON,
Chairman.

MARGARET BRADLEY,
Sec'y Treasurer.

(Meetings held during adjournment of the House)

MINUTES OF PROCEEDINGS

MONDAY, January 18, 1965
(29)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 10:10 o'clock a.m. this day. The Joint Chairman of the Senate section, Senator Fergusson, presided.

Members present:

Representing the Senate: Honourable Senators Boucher, Croll, Denis, Fergusson, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh, Thorvaldson—8.

Representing the House of Commons: Mrs. Rideout and Messrs. Basford, Cantelon, Cashin, Francis, Gray, Knowles, Laverdière, Leboe, Lloyd, Macaluso, Monteith, Morison, Munro—14.

In attendance: From the E. B. Eddy Company: Messrs. W. D. Moffatt, President, and D. Hutton, Secretary-Treasurer.

Also in attendance: Mr. J. E. E. Osborne, Technical Adviser to this Committee.

Mr. Moffatt was invited by the Joint Chairman to make a preliminary statement. Then both Messrs. Moffatt and Hutton were questioned thereon.

On motion of Senator Croll, seconded by Mr. Munro,

Resolved,—That the briefs previously submitted by both the E. B. Eddy Company and the Canadian Pulp and Paper Association respectively be printed as appendices to this day's Minutes of Proceedings and Evidence. (*For the brief submitted by the E. B. Eddy Company, see Appendix A13*) (*For the brief submitted by the Canadian Pulp and Paper Association, see Appendix A14*).

Their examination being concluded, the witnesses Messrs. Moffatt and Hutton were thanked by the Joint Chairman, and they retired.

At 12:15 o'clock p.m. the Committee adjourned until 2:30 o'clock this afternoon.

Maxime Guitard,
Clerk of the Committee.

AFTERNOON SITTING
(30)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reconvened at 2:35 o'clock p.m. this day. The Joint Chairman of the Senate section, Mrs. Fergusson, presided.

Members present:

Representing the Senate: Honourable Senators Boucher, Croll, Denis, Fergusson, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh, Thorvaldson—8.

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Representing the House of Commons: Mrs. Rideout and Messrs. Basford, Cantelon, Cashin, Côté (*Longueuil*), Francis, Gray, Knowles, Laverdière, Leboe, Lloyd, Macaluso, Monteith, Morison, Munro—15.

In attendance: Mr. David Kirk, Executive Secretary, and Mr. Lorne Hurd, Assistant Executive Secretary, The Canadian Federation of Agriculture; Mr. R. C. Dowsett, Fellow of the Society of Actuaries.

Also in attendance: Mr. J. E. E. Osborne, Techincal Advisor to this Committee.

The Joint Chairman introduced the representatives of The Canadian Federation of Agriculture, Messrs. Kirk and Hurd.

On motion of Senator Croll, seconded by Mr. Knowles,

Resolved: That both the briefs previously submitted for distribution by The Canadian Federation of Agriculture and Mr. Dowsett be printed as appendices to this day's Minutes of Proceedings and Evidence:

(*a*) Brief submitted by The Canadian Federation of Agriculture (*See Appendix A15*)

(*b*) Brief submitted by Mr. R. C. Dowsett (*See Appendix A16*).

Mr. Kirk read the brief prepared by the Canadian Federation of Agriculture, and he and Mr. Hurd were questioned. Mr. Osborne was also questioned. During the questioning certain information on farm incomes were requested and Mr. Kirk agreed to provide the Clerk of the Committee with the requested information.

The questioning being concluded, the Joint Chairman thanked the witnesses who then withdrew.

Mr. Dowsett was called, the Joint Chairman explaining that the witness was presenting his views as an individual and not as a representative of his firm. Mr. Dowsett summarized his brief and was questioned.

The questioning being completed, the witness was thanked by the Joint Chairman, and withdrew.

At 5:50 o'clock p.m., the Committee adjourned until 8:00 o'clock p.m. this day.

Dorothy F. Ballentine,
Clerk of the Committee, pro tem.

EVENING SITTING
(31)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reassembled at 8:05 o'clock p.m. this evening. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided

Members present:

Representing the Senate: Honourable Senators Croll, Denis, Fergusson, Lefrançois, Smith (*Kamloops*), Stambaugh, Thorvaldson—7.

Representing the House of Commons: Mrs. Rideout and Messrs. Basford, Cameron (*High Park*), Cantelon, Cashin, Côté (*Longueuil*), Francis, Gray, Gundlock, Knowles, Laverdière, Lloyd, Macaluso, Monteith, Morison, Munro, Prittie—17.

In attendance: Mr. C. J. Woods, F.I.A., F.S.A., Vice-President and Director of William M. Mercer Limited.

Also in attendance: Mr. J. E. E. Osborne, Techincal Advisor to this Committee.

The Joint Chairman invited Mr. Woods to make a preliminary statement before being questioned.

On motion of Mr. Côté (*Longueuil*), seconded by Mr. Francis,

Resolved: That the brief previously submitted by William M. Mercer Limited, for distribution, be printed as an appendix to this day's Minutes of Proceedings and Evidence (*See appendix A17*).

The examination of the witness being concluded, the Joint Chairman thanked Mr. Woods who retired.

Then on motion of Mr. Munro, seconded by Mr. Knowles,

Resolved unanimously: That a vote of thanks and appreciation be extended to Mr. Woods for his contribution.

At 9:57 o'clock p.m. the Committee adjourned until 10:00 o'clock a.m. on Tuesday, January 19, 1965.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

MONDAY, January 18, 1965.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mrs. Rideout and gentlemen, we now have a quorum. Mr. Cameron will not be with us this morning.

The first brief listed on our program is that of the Canadian Pulp and Paper Association. No one from that association is appearing before us, but they have sent in a brief. If any member of the committee has not received it the clerk will be glad to give you one.

Mr. W. D. Moffatt, the President of the E. B. Eddy Company, is appearing on behalf of that company, and we have his brief.

Is it agreed that these two briefs be added to the minutes?

Agreed.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I now call upon Mr. Moffatt. I understand, Mr. Moffatt, that briefs which are sent in are not read again as they will be published in the minutes. Witnesses have been giving evidence as to what they consider to be the highlights of the briefs, and summarizing what is in them, and then submitting themselves to questions by the committee. Having said that, I would ask you to commence.

Mr. W. D. MOFFATT (*President, The E. B. Eddy Company*): Thank you, Madame Chairman. This is my first appearance before a body of this kind so I would like to have your indulgence. Please be kind to me, otherwise I shall not be back.

Mr. KNOWLES: You must agree that we have given you a warm welcome this morning.

Mr. MOFFATT: Our brief is short, and purposely so because we think you have been burdened with a great deal of material, much of it relevant but much of it, perhaps, would have been better left unsaid. Many statements have been made, and we, on our part, wish to confine our remarks to the effect of the pension plan upon the E. B. Eddy Company.

If we were designing a plan, as we say here, to supplement our present plan, or installing an entirely new plan, we would have gone about things somewhat differently. That does not mean to say we would have been right, but our methods would not have been the same as those adopted by the drafters of Bill C-136.

We, having a plan, would have enlarged that plan. We would have improved it to make it more encompassing, to take care of its shortcomings, if we saw shortcomings. We would not have designed an entirely new plan, as you have done.

We say it should not have been necessary for the Government to take this step, because it already has a plan. It has the Old Age Pension plan. This too could have been enlarged, and the administrative costs would have been much less had the Government handled the matter as we suggest.

Nothing we say here, in my opinion, will change the bill at all. We think that Bill C-136 will go through essentially as drafted, but we do believe that there are some details in it that should be given attention. However, our general comment at the beginning is that we think that the approach was wrong. We think you should have one pension plan—not two.

It will be difficult to explain this bill to our employees. We have sufficient difficulty at present, with Government regulations. There are departments set up which do nothing but handle returns, deductions, and so on. This new plan will complicate matters and make our lives more miserable.

We do not think it was necessary to put us and others in this position—had you moved towards one bill rather than two. It will be extremely difficult, to tell people just what they are to pay and what they will get.

Many members of the committee, many of the members of the house, many of those appearing before you, certainly including myself, do not understand this bill. Our employees are not accountants, they are not lawyers, they are merely workmen. While many of them have been with the company for a number of years, many have held the same job—they might be in converting or they might be in the mill—and it is asking much from them to understand this bill.

Furthermore, we believe this bill has a tendency to inspire inflation. We suggest that, if your particular approach is right, it is equally sound to apply the cost of living index to bonds, savings, rents, wages and prices. If it is sound in one direction, it is equally sound in these other directions that I mention, and still other directions will occur to you.

From the start, man has provided something for his old age, for his poorer seasons, and we believe there should be no departure from that principle. It may be that we are approaching the time it is necessary for one to look to tomorrow and do something about it.

There is another point. It will be difficult to handle the requests for refunds which we make on behalf of employees. It is not clearly stated that refunds will be given to the companies, but we assume that provision for this will be made. As we read the bill now, we understand it provides only for refunds to the individual.

There is also the question as to how these are to be handled. Some employees have little enough to begin with, especially those who are at the $600 wage level; and if you take from them twice as much as they should contribute, it means taking an important portion of their earnings. At that wage level, he has nothing to spare. There will be difficulty also in collecting money from those who are not employed by companies, who are self-employed, yet earn $600 and over.

Integration is brushed off very lightly in the White Paper. It is indicated that this is a matter between employers and labour, that it is something over which the Government has no control and in regard to which the Government does not intend to exercise any influence. As a result, in many cases the existing pension plans will continue, the new pension plan will also come into effect, and the old age pension plan will apply; so this will be a many-pensioned nation.

My company has one particular problem. We stand astride the Ottawa River, with one foot in each province. When the Province of Quebec established an income tax, we had problems in adjusting the tax deductions for our employees so as to ensure an equitable and proper division between federal and provincial plans. It took us about two years to obtain clarification of the regulations. We find that the wording which caused us so much trouble in the Income Tax Act is being used also in the Canada Pension Plan. We feel a change is necessary there and that an adjustment would save us much trouble.

We are almost unique in this field, but we understand there are one or two companies out west which operate, on the border, partly in one province and partly in another. I refer to Alberta and Saskatchewan. We are about the only one here on the Ontario-Quebec border.

Many administrative points need to be clarified also. Your methods should be announced so that we and others can look at them before the bill itself is adopted. This is not a committee on which the provinces are represented. Therefore, we think the provinces should do likewise, if they draw up pension plans of their own.

We say in our brief that we leave to others, discussions pertaining to the economics and actuarial soundness of the plan. We do so because we are not actuaries, we are not lawyers, we are business people trying to run a company. For that reason, we can but assume that your actuarial findings are sound. If they are not, we assume that any corrections necessary will be pointed out by the insurance companies and others concerned.

We think there are some values and also some dangers in these accumulated funds. We will be guided by any questions on that particular point, but again we leave that largely for discussion by others.

With regard to the release and return of funds from the provincial governments, this is going to be quite a problem in the future. I hope that it will not be quite as serious as I believe it will be.

There will be an effect on industry as far as the shortage of funds is concerned.

We will become, as I mentioned before, a multiple-pensioned people.

There will be an effect on export costs and on the competitive position. Governments are constantly urging us to increase our exports, to become competitive in costs, and we are trying very hard to do so.

A plan of this kind superimposed on what we already have will make the competitive position somewhat difficult.

There will be adjustments and provisions for them. These will come about, and I think we must all admit that this will happen.

I dealt with integration and the long-term effects of compulsory savings—and this is a compulsory savings plan.

There will be an encouragement to a rise in living costs, and the cost of living index might contribute to that.

I think, Senator Fergusson, that takes care of my general remarks. I will be pleased to answer any questions your committee puts to me, or at least will attempt to do so.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much, Mr. Moffatt. I am sure that we will give a great deal of thought to what you have told us. Before this meeting commenced, you told me that with you is another official of the E. B. Eddy Company to whom you might want to refer to answer questions.

Mr. MOFFATT: Yes. He is Mr. D. Hutton, secretary treasurer of the company, and he is much better versed in the pension plan and the administrative problems than I am.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Now will you be good enough to answer questions, and a number of members have indicated they want to ask questions. The first is Mr. Monteith.

Mr. MONTEITH: On page 3 of your brief, Mr. Moffatt, you say, "We make these further comments," and I notice in your summary you say, "Presumably there will also be redress for the employer." What is your reaction when we tell you there is no redress for the employer by way of refund of over-payment.

Mr. MOFFATT: The reaction is that you are taking something to which you are not entitled.

Mr. MUNRO: On that point—

The CHAIRMAN (*Hon. Mrs. Fergusson*): Is this on the same question?

Mr. MUNRO: Yes, as I understand it. Under the bill there is a refund to employers. There is not if deductions have been made under $600, because it is such an incontestible amount that the administrative costs would exceed what it is worth; but over that exemption limit there are refunds for employers.

Mr. D. HUTTON (*Secretary-Treasurer, E. B. Eddy Company*): As I understand it the bill specifies that there must be refunds to the employees who contribute, but the wording of the bill specifies that there may be refunds to employers. What we are concerned with is the difference in the wording, "must" to employees and "may" to employers.

Mr. MONTEITH: If I recall the earlier discussions on the bill when we had the officials before us—and I will be glad to be checked on this with the officials—I understood that if an employee worked for one company for the first six months and the total deduction was made in that year, and then he moved to another company, there would be further deductions of the employer's share and from the employee, but the employee would get a refund, whereas the employer would not. Is that right, Mr. Osborne?

Mr. OSBORNE: That is correct, sir.

Mr. MONTEITH: That is my point, that the employer does not get the refund.

Mr. MOFFATT: This has been our impression.

Mr. FRANCIS: If there is already a deduction in respect of one employer, there is no question of the employer getting a refund when the records are matched up. If, for instance, you were to over-deduct in the first six months, the employer would have a good claim on the basis of his own payroll record that there had been too much deducted. But it is also impossible administratively for an employer to decide what other employment, or possible moonlighting, or anything else, any employee might have; and then there is the question about the employer claiming the rebate. There is no answer to this in terms of administrative procedures.

Mr. MONTEITH: I am pointing out, Mr. Francis, that actually the employer does not get a refund.

Mr. FRANCIS: He can under some circumstances.

Mr. HUTTON: Not under every circumstance.

Mr. MONTEITH: You mentioned also under item 1 that an exchange of records would be practical. I am wondering how this might work.

Mr. MOFFATT: I am not an accountant, but it seemed to me, that you have had unemployment insurance books and so on, and that there might be some method to show what each employee might owe by showing what he paid. I do not know if this is practical or not; but after having tried to get refunds from the Government from time to time, and having to wait months and months and months, and sometimes with endless correspondence, often unanswered, I think you are starting up trouble for yourselves in this administrative problem.

Mr. MONTEITH: Then you did refer to the problems of integration. I am assuming your company has one pension plan for employees on both sides of the river?

Mr. MOFFATT: That is right.

Mr. MONTEITH: And are you anticipating considerable difficulty, if this comes into being and a Quebec plan comes into being, while they are presumed to be somewhat similar in overall approach there may be some minor details—but you can anticipate a great deal of trouble where your employees are working on one side of the river for a period, and then on the other side for a

period, and this sort of thing. Would you think that a residence-of-the-employee rule would assist at all?

Mr. MOFFATT: I would sooner have Mr. Hutton answer that, with his experience.

Mr. HUTTON: I think that the answer is definitely yes. In the original Ontario-Quebec provincial taxation legislation they prescribed where the working point was located. Eventually they had to do away with this and they had to adopt the residence identity on the last day of the year for proper distinction. I gather that, in the first place, it would be more logical that the pension plan identity be the same as the income tax identity. If it is not, there is going to be a problem right there.

But, in addition to that, the residence is more permanent than the point of work in a situation such as ours, and once we get the identity of a person by the province, then we can process that continuously on that basis. Admittedly, a person might move from one province to another, but when this happens there must be provisions made. However, residence would certainly be a decided advantage and is something apparently the Income Tax people had to fall back on for identity for provincial tax purposes. They have had to do that already.

Mr. MONTEITH: Thank you. There is one other point, at the bottom of page 5 under (c). This is a thing that has disturbed me in past considerations, and I do not think I have had an answer, one which is quite satisfactory, at any rate—the release and return of these from provincial governments.

I am anticipating that 15 years from now, for argument's sake, the trust funds will have been built up that have been lent to the provincial governments. The provincial governments will have invested these funds in various provincial assets, we will say, and the time will come when, as is admitted, the fund is going either to have to increase rates or draw on its surplus. It is also admitted an increase of rates will probably have to take place, but it occurs to me that in this period there may have to be some withdrawal of provincial advances. I just wish to mention that as far as I am concerned this does appear to be an obstacle. There undoubtedly will come a time, after this interim period of about 10 or 15 years, when the flow of funds to the provinces for investment purposes will cease. At any rate, I cannot see it going on. However, I just want to mention that I also have concern about that particular point. I think that is all I have to say at the moment, Madam Chairman.

Mr. KNOWLES: I wonder if I might ask a supplementary question with respect to the complications the witnesses have seen arising out of our having two plans, namely, the Canada Pension Plan and the Quebec plan?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes, Mr. Knowles.

Mr. KNOWLES: I do not wish to push the witnesses into saying they like something they obviously have reservations about, but would they agree that it would be better if it remained just a Canada plan and a Quebec plan than it would be if we ended up with a Canada, a Quebec and an Ontario plan?

Mr. MOFFATT: I think the more plans we have the more complications we have. I also foresee that if we have a Canada plan, a Quebec plan and an Ontario plan we are quite likely to have a B.C. plan. Then others might feel left out.

Mr. KNOWLES: You would hope as few provinces as possible would opt out?

Mr. MOFFATT: That is what I am trying to say.

Mr. LLOYD: Mr. Moffatt, two things come to my mind from your comments. One has to do with the difficulties in advising employees of the benefits arising from the scheme or schemes; and the other is your references to export costs.

On the first one, how do employees ascertain now what their benefits will be under your own plan?

Mr. MOFFATT: We tell them regularly. This information is regularly and readily available.

Mr. LLOYD: Yours is a wage-related plan?

Mr. MOFFATT: Yes.

Mr. LLOYD: Is it based upon the earnings during their career with you?

Mr. MOFFATT: Yes.

Mr. LLOYD: So, do you maintain a record of pensionable earnings?

Mr. MOFFATT: Yes, we know now and they know how much the pension plan amounts to, and we know, of course, where the money is invested and how much we have.

Mr. LLOYD: But they do not know precisely what their pension will be, because it will depend on their future earnings?

Mr. MOFFATT: Yes. We can tell them, as of today, that their pension is so and so, and if their earnings are at that rate for the rest of their period they know the basic pension plan which they can expect.

Mr. LLOYD: The Canada Pension Plan has provisions which will tell people where they stand today.

Mr. MOFFATT: Yes.

Mr. LLOYD: On the same basis, except they will not perhaps get it from you. Certainly, this problem is the same, except you will not provide the information.

Mr. MOFFATT: Your administration problem will be very much greater than ours, and we think you should be aware of it.

Mr. LLOYD: Forecasting future payments depends, in both instances, on future levels of earnings?

Mr. MOFFATT: Yes.

Mr. LLOYD: You were also concerned with the impact on your export sales by virtue of possible increased cost. In considering this matter I suppose one has to look at the total impact on your operating costs. Your contributions on behalf of the employers, as you know, are deductible for income tax purposes; and the employee's contribution is deductible in his hands for tax purposes. I suppose how much impact it has on your costs will depend on the rate of contribution. I suggest to you that this in itself is not substantial in terms of affecting your export sales.

Mr. MOFFATT: Mr. Lloyd, as a business man I never, in the approach to any problem, say "This will not cost us so much because it is deductible for tax purposes."

Mr. MONTEITH: Hear, hear.

Mr. MOFFATT: To imply we can afford all these things because they are deductible would be a sloppy thing to let enter business thinking. I certainly will oppose it in mine.

Mr. LLOYD: In other words, your argument in this instance, I thought, was to indicate to us that the impact of this pension plan would be either substantial or—well, I was trying to find out whether you thought this was a substantial addition to your costs or not. I agree with you, generally speaking, that in managing a business one does not decide whether they will oppose something or not because it is tax deductible. The issue here is whether or not the introduction of the Canada Pension Plan will adversely affect export sales. I was only trying to find out from you whether in your conclusions—since you

say it would affect export sales—you would take into account the total impact on your operation, whether or not it would reach that point.

Mr. MOFFATT: I can only speak for our company, of course, Mr. Lloyd, but in most branches, in most divisions of our company, in the export field we do not make money. This may be a surprising thing for this committee to hear, but we accept most export business on what might be termed an increment basis. We do not get our standard costs from our export business, so no matter how infinitesimal an increase happened to be it would affect our approach on exports. We do not think this is a major deterrent, but it is something, and something added to something else does affect exports.

Mr. MUNRO: Mr. Moffatt, I was interested in your comments concerning the question of residence as the basis for giving access to these contributions. I wonder whether, when you made this submission, consideration was given to how the Government involved, the Canadian Government or the Quebec Government, could effect collections from employers.

For instance, senator, the Quebec plan in your particular case: how would the Government of Quebec be able to effect employer contributions, say, from an Ontario employer who has an employee resident in Quebec in the last day of the year—that is, if we applied the residence rule?

Mr. MOFFATT: Well, the residence rule does work; I suppose it is a balancing thing. They assume that enough will reside in both places; that is, your employees will be balanced between Ontario and Quebec. I assume this; I do not know it.

Mr. Hutton, you might be able to answer this.

Mr. HUTTON: I think this is a fairly simple problem. The Government places the onus on the company to make deductions in accordance with the regulations, and if the regulations say that deductions are to be made on the basis of residence, and contributions are paid either to the federal or to the Quebec Government, then the onus is on the company to keep up to date records on residence, and make these deductions, and send contributions to the proper jurisdiction.

I don't know if that answers your question.

Mr. MUNRO: Each company, as far as all the companies are concerned, has to determine in each case where they reside. Is that correct?

Mr. HUTTON: That is correct. They have to meet the requirements of the province.

Mr. MUNRO: Don't you feel that it is simpler, generally far simpler, for the companies concerned that they know that this payroll tax is based on the working place of the employee, or where he derives his salary? This involves far fewer problems, not only for the Government, but for the employer also.

Mr. MOFFATT: But there is this point as far as we are concerned: The Company employee might work in the Hull mills this morning and in the Ottawa mills this afternoon, and be back to Hull tomorrow. This can happen and does happen. So that the place of work is not really very good as far as we are concerned.

Mr. MUNRO: But one thing easy to clarify, presumably, Mr. Moffatt, would be that of where the employee derived his salary. This, I would assume, though I am not, of course, aware of the internal operations of your company, would be from Quebec, would it not?

Mr. MOFFATT: Most of the employees would draw their salaries from Quebec because our head office is in Quebec. For instance, my salary is paid in Quebec, though I feel I might do some good in Ontario.

Mr. MUNRO: Yes. One other question, Madam Chairman. On this point that Mr. Moffatt made, concerning his concern and his company's concern about tying

the benefits to the consumer price index and the implications this would have as far as Government bonds—maybe this should apply to many other areas. I think you indicated prices and rents.

I wonder if you did not feel that prices and rents did in fact reflect rising prices, and this is one of the reasons why aged people should not be prejudiced by having a pension that does not take into account the rising prices and the rise of rents.

Mr. MOFFATT: Yes; though that can be taken care of by adjustment in the pensions as you feel it necessary to make such adjustment. The automatic year by year change not only brings about administrative problems but brings what I think probably is more important an acceptence—that we go up and up and up. We accept that, as a Government policy, inflation is a thing that we must live with, accept, and no longer need fight against.

Mr. MUNRO: Why do you feel, then, that the price increases, or increases in the pension, are in line with the consumer price index? You don't feel that that is a cause of inflation? Surely you agree that this increased benefit comes to the aged as a result of an inflation that, if you like, has already taken place. It is an after effect rather than a cause.

Mr. MOFFATT: That is quite true, but we recognize this, recognize it very fully, when we apply the cost of living index, and I merely say, if you will note, that if you accept the cost of living index as a proper measure for adjustment, then why not apply it to other fixed incomes?

I say what is fair in this direction is equally fair in other directions.

Now, I am not necessarily opposing it very strongly on the pension plan; I just say: Are you aware of the machinery which you have set in motion?

Mr. MUNRO: Thank you very much.

Mr. FRANCIS: Most of the questions I have in mind, Madam Chairman, were answered in the discussions, but I am concerned about the application of the suggestion of the residence rule to determine which plan an employee will belong to. I think the E. B. Eddy Company is rather unique in its operation, certainly to my knowledge. Its physical operations just literally include two provinces. As you put it, you have one foot in each. Any rule that is adopted I think is going to create a problem.

You have learned with provincial income tax that the residence rule was the most satisfactory solution from your point of view, but it seems to me that any rule that is adopted is going to create difficulties with an operation that is of your nature.

If we go to the rule that you suggest, I think Mr. Munro brought this out: How would the Province of Quebec, for example, collect its pension contributions from people who live in that province but work in Ontario? I suppose they are living with this problem with the provincial income tax now, but in the discussions that have taken place, if we go to that kind of rule, I think there are serious administrative problems in working them out.

Have you any indication of what proportion of your work force goes from one province to the other? Is it fairly substantial?

Mr. MOFFATT: Well, there are some people who transfer not at all. Then, there are others who, in the course of their duties, move regularly from one province to another—engineering, mechanical and supervisory staffs, and so on. There is going to be a problem, but we think that what the federal Government and the provincial governments have accepted as a solution with respect to income tax could equally well be adopted in the Canada Pension Plan. It seemed the better approach and we found it more satisfactory.

Mr. FRANCIS: Do you think the present rule, as drafted, will be very difficult to follow?

Mr. MOFFATT: Yes.

Mr. FRANCIS: And that is directly contrary to the rule you are using?

Mr. MOFFATT: That is correct.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Senator Croll?

Hon. Mr. CROLL: I should like a little information. If my question troubles you, you do not have to answer it, Mr. Moffatt. In your opinion, in your pension plan—and I am assuming from everything I have heard that it is one of the better plans, although I am not familiar with the details—is there a vesting period?

Mr. HUTTON: Perhaps I might be allowed to answer that for Mr. Moffatt. There is a vesting period. An employee must be with the company for ten years before he is entitled to the retention of any of the vesting privileges. Then, over a period from ten years to twenty years it is increased from nil to 100 per cent.

Hon. Mr. CROLL: Starting at ten years?

Mr. HUTTON: From ten to twenty years it gradually moves up—from nothing at 9½ years to 100 per cent at 20 years.

Hon. Mr. CROLL: That is the usual. How many people draw the full pension, percentagewise?

Mr. HUTTON: I am sure I could not answer that question, but I can say this about our plan, that it started in 1948, and in the early years, of course, there have been very few. As of today—I am sorry, I could not even make a guess, but it will be some time in our plan, as it will be in the Canada Pension Plan, before the majority of the retiring employees will retire on full pension.

Hon. Mr. CROLL: Then, can you give us some indication—perhaps you would like to break it down between what I might call, if I may, white collar workers and other workers. What would be the average pension for the non-white collar workers?

Mr. HUTTON: There is no distinction, of course, between white collar and non-white collar workers. It depends entirely upon earnings over a period.

Hon. Mr. CROLL: The same period?

Mr. HUTTON: The same period, and the same percentage. There is no distinction between salaried and wage earning workers in our plan.

Hon. Mr. CROLL: You have no idea of what the average might be?

Mr. HUTTON: No, but we do have minimums. It would be $75 a month—

Hon. Mr. CROLL: That is the minimum?

Mr. HUTTON: —or one per cent of their average earnings over the last year. It is one per cent of earnings for each year of service, whichever is the lower, but it usually works out that $75 is the effective minimum in our plan, which has only been in existence for those few years.

Hon. Mr. CROLL: Let us take a person who does qualify—let us take one of your working men; not one of the high priced help.

Mr. KNOWLES: Do they not work?

Mr. HUTTON: The working men are the high priced help in our organization.

Mr. MOFFATT: It might be said here, for a moment, that the so-called non-white collar worker actually makes more than the white collar worker in many fields in our company.

Hon. Mr. CROLL: That is a little hard to swallow, but I will take it from you because you know what you are talking about.

The CHAIRMAN (*Hon. Mrs. Fergusson*): That is certainly interesting.

Mr. MOFFATT: Well, that applied some years ago. It is a misconception to say it is true today. Machine operators are highly paid people in a paper mill.

Hon. Mr. CROLL: Of course, they are highly skilled, too.

Mr. MOFFATT: Yes, but they are not white collar workers.

Mr. KNOWLES: Are they also organized?

Mr. MOFFATT: Yes, they are organized.

Mr. KNOWLES: You had better get the white collar men organized too.

Mr. MOFFATT: Some of them are.

Hon. Mr. CROLL: Mr. Hutton, what would be the maximum that a man would get after a period of 20 years?

Mr. HUTTON: Retirement at 65 after 20 years—again, I am only guessing, but I would say it starts from around $75, and it usually runs between $75 and, say, $100 or $125; somewhere in there. Of course, as the plan has a longer life, and as more people retire who have contributed throughout the full possible 35 years, this amount will gradually increase—and significantly increase.

Mr. MOFFATT: We have paid out to date, even in its short life, over $2 million in benefits.

Hon. Mr. CROLL: My questions are directed to finding out how a good plan works. We want to see what the best looks like, and then see what the others look like at a later stage. You can readily see that we are groping with a problem, especially when one as good as yours seems to be has deficiencies in it as well.

Mr. MOFFATT: That is true, only the company has paid the past service benefits for the employees prior to 1947.

Hon. Mr. CROLL: Mr. Moffatt, you were speaking of the possible inflationary effects of the pension plan—I think the terms you used were to the effect that you did not care for the indexing part. You also said that the automatic adjustment was not good, or was not effective. The automatic adjustment is not the exclusive adjustment that will be made. I think you have seen from the evidence that it is not suggested that that is all that may be done under the plan. Do you appreciate that?

Mr. MOFFATT: Oh, yes.

Hon. Mr. CROLL: Do you remember in 1957—I remember it very well—that we raised the pension from $40 to $46? And, do you remember that we were wrong, because the new Government raised it to $55. I am having a little trouble in thinking that there was inflation during that period. Was there throughout that period inflation? I cannot recall it.

Mr. MOFFATT: I suppose you can say there has been a period of inflation ever since the war.

Hon. Mr. CROLL: Yes. In that sense. We have had some evidence here that we have had a two or three per cent increase ever since the war, but that is pretty normal for us now, is it not—that is, after all these 20 years?

Mr. MOFFATT: Of course, I happen to have been working during the depression days, and it is pretty hard for me to get that time out of my mind. I find it is a great handicap to have lived so early.

Hon. Mr. CROLL: I agree with you, but this is a state of conditions that has existed for a period of 20 years, and we have accepted it. As a matter of fact, some of the witnesses before us have said that there is no great danger

of inflation. In fact, one witness of some consequence said that other people do not quite agree. Let me see if I have another question.

The CHAIRMAN (*Hon. Mrs. Fergusson*): There are two others on the list first, if you do not mind, Senator Croll.

Hon. Mr. SMITH (*Queens-Shelburne*): Madam Chairman, I should like to follow up on the same general line that Senator Croll was following. I should like to have a little more information about the kind of plan you have in your company. Do I understand from your answer to Senator Croll that the benefits are set for the life of your plan, or the life of the employees, at one per cent of earnings per year of service?

Mr. HUTTON: One and a half per cent.

Hon. Mr. SMITH (*Queens-Shelburne*): With a minimum of—

Hon. Mr. CROLL: It is one and a half per cent.

Hon. Mr. SMITH (*Queens-Shelburne*): Is this a plan towards which the employees make contributions?

Mr. HUTTON: They do. The employees contribute 4 per cent.

Hon. Mr. SMITH (*Queens-Shelburne*): Is this a plan for which employees make contributions?

Mr. HUTTON: Yes, they contribute 4 per cent of gross earnings.

Hon. Mr. SMITH (*Queens-Shelburne*): And the company matches that?

Mr. HUTTON: It generally matches that.

Hon. Mr. SMITH (*Queens-Shelburne*): And the plan that you have there has a yield projected into the future, to give an annual income of 1½ per cent of earnings over the period of service?

Mr. HUTTON: Yes.

Hon. Mr. SMITH (*Queens-Shelburne*): Then as the years go on, the figures you gave as examples for the pensions now being paid, varying from $75 to $100, will increase gradually?

Mr. HUTTON: And significantly.

Hon. Mr. SMITH (*Queens-Shelburne*): Is this a typical plan in the pulp and paper business in general across the country?

Mr. HUTTON: I believe that ours started earlier but in recent years there have been developments and negotiations which have brought most of the plans into this general area.

Hon. Mr. SMITH (*Queens-Shelburne*): I am sure you have no doubt that the pension plan in the last 20 years has not been too generous in terms of the spending which a man will find necessary when he has to leave the labour force and get into the retirement period, no matter how long it is? You do not feel that is too generous in respect to his needs in his retiring age?

Mr. MOFFATT: It is difficult to answer that question. Our men are getting $75 now which they did not have before. If they had no other means, I would say your comment is correct, that from their point of view it is not too great. Yet there are many pensioners who had no pension plan whatsoever. For example, we had a reception two or three weeks ago for retired employees. One man told me he joined the company in 1904—which happened to be the year in which I was born—and he gets no benefit from the plan. Other men who joined the company quite late will have a good pension and this will increase rapidly and significantly, as Mr. Hutton said. But we had to start out with a minimum plan, in the same way as the old age pension scheme started. When it was started, it was to provide the old age people and retiring people with something. We started with the same idea. We set aside several million dollars to pay benefits, and thus provided $75 for those retiring in the early stages. We think

that was a generous approach; but if you were to ask if it was sufficient for a man, you would have an argument, you would have a case.

Hon. Mr. SMITH (*Queens-Shelburne*): Do you not think that a pretty good case can be made for the integration of the Canada Pension Plan with your plan, even if the company found that its costs now were pretty difficult costs on which to run the business? If the employees were found willing to contribute an extra 1.8 per cent of their wages, between $600 and $5,000, do you not think that would improve the pension plan, when you consider the inclusion of survivors' benefits, the total disability benefits, the orphan's benefit and so on, and that in a ten-year period they would get 25 per cent of their escalated average earnings over those years, to add to what they now have? Do you not think it is in the interests of both the employees and the company to put yourselves out, perhaps to quite a large extent, to find a method of integrating this proposed plan with your own plan?

Mr. MOFFATT: We will put ourselves out to quite a large extent, senator. We are on the ground of philosophy now concerning pension plans and I do not feel I can deal with that in a few moments here. I think that pension plans should be designed to take care of the minimum requirements of the aged and the less fortunate and the troubled. Beyond that, families have some responsibility. We are gradually reaching the point of relieving families of responsibility. I think families must still continue to bear this to some extent and I think the individual must be cautioned and encouraged to save money on his own for the future. I do not think a government or an employer should be his only bulwark for old age or security. With the old age pension plan, with the Canada Pension Plan, with the company pension plan, to say nothing of an annuity, he could well make more at retirement than he made before. I would not think that is a very reasonable state of affairs.

Hon. Mr. SMITH (*Queens-Shelburne*): We had some very interesting evidence just the other day which indicated to us that we must give serious thought to the future needs for the retiring population, that as the years roll by, the spending a retired person must do, to play a proper part in the community in which he has lived all his life, must be increased substantially. One witness, who made a special study of that point, indicated that as time goes on he should have even twice as much income after retirement as he had during his working life. It is a rather startling statement and bothered me considerably since it was made. However, I thought about it during the weekend and I feel there is some substance to it. It corresponded to using the word "absurd" to describe the situation which you describe, that a man on retirement would make more money than he did before retiring. However, this is something we have to consider as a committee. We have to look further into the future than need companies who are faced only with today's problems.

Mr. MOFFATT: The party who spoke before this committee must have been about 64½ years old.

Hon. Mr. SMITH (*Queens-Shelburne*): He is older than that.

Mr. MOFFATT: This subject deserves a lot of thought, of course, but the future of this country is going to be built on young people, not old people. That does not say that old people should not be taken care of. I am all in favour of adequate pensions and sound legislation. However, do not let us give all our attention to that segment of our population; this country will grow and be built by and through our young people.

Hon. Mr. SMITH (*Queens-Shelburne*): I thought it might be helpful if I expressed a view indicated by W. M. Anderson, Chairman of the Board of the North American Life Insurance Company. Those are all the questions I have.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Knowles?

Mr. KNOWLES: Madam Chairman, as usual, when one is this far down the list in the questions asked, one finds that a great deal has been answered. However, I thought I might take a moment or two. In the main my questions come under two headings that have been used by the witnesses—the question of complications, and the question of integration.

Under the question of complications, I may say that I agree with the witnesses that clear information ought to be given as to what is involved in this legislation. I note in particular your suggestion, Mr. Moffatt, in paragraph 6, page 5, of your brief, the proposed methods announced before Bill C-136 is adopted.

May I say that I recognize certain difficulties in giving all the detailed machinery before the bill is adopted, but I would certainly go along with you in urging the Government to make all the haste it can without making any blunders, in getting the regulations passed that will be necessary after this bill is adopted.

In addition to the regulations which will have to be made, there should be—in fact, I understand there will be—a handbook that will let people know what our whole story is. I fully agree with you that all possible information in this field should be provided.

I would also say that it is not only a matter of providing information before the bill comes into operation—let us say in January 1966—but that in the long run it is the Government's responsibility, not the employer's, to see to it that the people of Canada know how this legislation works.

As an employer, you will naturally want to be in a position to answer your employees' questions, but you are perfectly right in your view with respect to the fact that the Government should provide information.

Having said that, I wonder if it is fair to assert that the bill is so complicated that the average worker cannot understand it? I know a case can be made, when a bill has some 125 clauses, that it is complicated; but are not the basic facts of this legislation pretty simple? An employee pays 1.8 per cent of his career earnings, starting at $600, stopping at $5,000. The employer meets it. When the time comes for retirement it comes to roughly 25 per cent of what an employee's career earnings were. There are things added to that—an adjustment of the earnings, depending on how wages have gone up during the years. There is the question of what to do about the drop-out years, and so on. There are extras, like the widow's benefit, disability benefit and orphan's benefit; but the main principle surely is just as easy to grasp as the basic principle in your plan, namely, that your employees pay 4 per cent of their gross earnings and get a pension equal to 1½ per cent of their earnings, average or actual.

Mr. HUTTON: Over the period they have been employed.

Mr. KNOWLES: Over the period they have been employed. Again, I do not want to force you against things you believe, but when you look at it, are not the basic elements of this plan rather easy to grasp?

Mr. HUTTON: Of course, the first thing that happens is that you immediately superimpose a whole set of conditions on top of what we already have in our own plan, so right off the bat the complications are doubled. Then if you have Quebec coming in with their plan, which may be substantially the same but slightly different in places, you are adding part of a third layer. So that just the introduction of the plan itself doubles the complication.

Mr. KNOWLES: I certainly do not doubt the complications that might arise from continuing two plans, and I hope there will not be more than two; but at some point a decision will be made that each of your employees will be either in the Canada plan or the Quebec plan. However, apart from that, is it

any more complicated to have two pensions plans, a private and a public one, than to have a private plan and an insurance policy, or two or three insurance policies, or a private plan and a government annuity? After all, you have said that the blue-collar ones are organized. Here you have 1½ per cent for years of service, but they are also going to get a Canada pension equal to roughly 25 per cent of what their career earnings have been.

I am putting it in the form of a question but I just think in all fairness that if we have two plans, the assertion that the plan is complicated, when it seems to me that it is clearly understandable, is an assertion that might be questioned.

Mr. MOFFATT: It will not be as difficult for us as for some. As Mr. Hutton said, it is the E. B. Eddy case which is being presented, so that this is the only phase of the pension plan in which we should be interested or to which we should direct ourselves.

The other day I was told of a chartered accountant who has a number of clients to deal with, involving ten or twelve cases in which there is extreme difficulty even with the income tax deductions, and so on, because these companies were not organized, and their departments did not have a computer set up for people such as yourselves. Then if you go on to the self-employed man, or the man who makes $600 a year, who is going to explain all this to him? I don't really know. Maybe I should not theorize, but I think we will have less trouble than a great many people.

Mr. KNOWLES: I certainly do not quarrel with your concern about people understanding this. I repeat that it is a major responsibility of the Government to make sure that sufficient information is given out. I hope that handbook which is to come out will be in language all can understand. However, Madam Chairman, I will not pursue that subject further.

Now I should like to turn to one or two questions about integration. When you first indicated in your brief that there was an integration problem, I was prepared to learn that the details of your plan were such that this might be a difficult situation. May I say it strikes me that where you are deducting only 4 per cent of your pension, at least it will not be as difficult as for employers already deducting 50 per cent, especially if they come along and talk about adding another 1.8. It will be pretty difficult to deny that they do have a difficulty. However, if in your case it is 4 per cent and you have already admitted that there is room for improving your plan, would you not admit that at least your difficulty is as great as that of some others, due to the fact that at the moment you are deducting only 4 per cent in a relative way?

Mr. MOFFATT: Only to a degree. Much of this will depend upon the employee's attitude. For instance, he may feel 4 per cent plus 1.8 per cent is too much—or, with some people, who have a 3 per cent or 2 per cent plan, and they could have the same reaction. If it is 6 per cent—I feel that is quite unusual —there again they might feel another 1.8 would bother them too much. I think it all comes down to how much the employee values the pension and how much he wishes to contribute towards it, bearing in mind, too, negotiations will have some effect.

Mr. KNOWLES: May I just carry this a little further? I suppose what I am trying to do is to give you some suggestions so you can pass these on to your employee as benefits in the total picture. At the present time an employee who works for 30 years will get a pension of 45 per cent of his annual earnings. Senator Smith has already pointed out that some of us in this committee are concerned about getting pensions at much higher levels. Forty-five per cent of the annual earnings is really, in the view of some of us, not a very high pension, but once the Canada Pension Plan goes in your employees who work for 30 years will be in the position of knowing they are going to get 45 per cent

of their annual earnings plus another 25 per cent of their earnings, up to the $5,000 level, ignoring the escalation feature later on. Whether or not an employee is below or above $5,000, ignoring that problem for a moment, 45 per cent plus 25 per cent gives 70 per cent, so there is a possibility for an empolyee who has been with you for 30 years having a pension of 70 per cent.

Hon. Mr. SMITH (*Kamloops*): Forgetting it takes 10 years before that will happen.

Mr. KNOWLES: That is right, but when I talk of 30-year employees, that includes the 10. It strikes me that your integration problems and the problem of selling the idea of this integration to your employees is not going to be as difficult, certainly, as it may be for some other employers.

May I ask one other question about your plan? I think we have the details, and you are under no obligation to give us this information—

Mr. MOFFATT: We are pleased to.

Mr. KNOWLES: The employees pay 4 per cent of their gross, and you roughly match it. I gather it is one of those plans where there is a certain amount to be paid, and you pay the difference between the 4 per cent and the total.

Mr. MOFFATT: We keep it actuarially sound.

Mr. KNOWLES: You also did provide for those working for you, at the time the plan was put in, a past service benefit?

Mr. MOFFATT: Yes.

Mr. KNOWLES: I hope I do not sound like someone or another saying, "God bless you for doing that." You did not feel you were giving them any windfall or bonus they were not entitled to?

Mr. MOFFATT: Our relations with our people are very good, and we try to keep them that way.

Mr. KNOWLES: Obviously, I think it was a good idea, and so on. You say if an employee is with you for less than 10 years he does not get any of the employer's contribution?

Mr. MOFFATT: That is correct.

Mr. KNOWLES: He gets his own contribution back?

Mr. MOFFATT: That is correct.

Mr. KNOWLES: Without interest?

Mr. HUTTON: With interest.

Mr. KNOWLES: But none of the employer's contribution?

Mr. MOFFATT: Yes.

Mr. KNOWLES: I think that pretty well gives us the picture of your plan and, as I said, I admit I am expressing an opinion more than asking a question, but it strikes me that if you look at it closely and compare your problems with the problems of some others, at least you will find the integration is of the kind your employees are likely to like.

Hon. Mr. CROLL: What is your turnover per year? The figure I have here is that the normal turnover, it seems to me in an industry like yours, is 10 per cent. Is that anywhere near your figure?

Mr. MOFFATT: The number of employees—frankly, I do not know. It is very, very low. As a matter of interest, we have some 600 people in our 25-year club, which is an example of the length of service.

Mr. KNOWLES: What is your total payroll?

Mr. MOFFATT: Slightly below 2,400. It ranges between 2,300 and 2,400.

Hon. Mr. CROLL: That is the average?

Mr. MOFFATT: Yes.

Hon. Mr. SMITH (*Queens-Shelburne*): I did not get the question, in the first place.

Mr. MOFFATT: The number of employees we have: between 2,300 and 2,400 employees, and about 600 of those belong to and are active members in our Quarter Century Club—that is, 25 years or over.

Hon. Mr. THORVALDSON: Madam Chairman, the area of the questions I was going to ask has been pretty well covered by Senator Smith and Mr. Knowles, so there is nothing further I want to add.

Mr. BASFORD: I am told by one of the representatives of the papermakers with whom I have discussed this that in eastern Canada most of the pension plans in your industry are of very recent vintage, and most of them have within them provisions for providing for integration of those plans with action that the Government might take in the pension field. Would you care to comment on that?

Mr. MOFFATT: You are talking about those companies having negotiated pension plans with their unions?

Mr. BASFORD: Yes.

Mr. MOFFATT: That does not apply to us. Our pension plan has been a non-negotiable item.

Mr. BASFORD: You wouldn't like to comment on the rest of the industry?

Mr. KNOWLES: I do not think the witness should be called upon to do so.

Mr. MOFFATT: I do not think it would be fair for me to do so, because I do not know to which company you are referring. Some companies have discussed pensions, some have negotiated them, and some have not.

Mr. KNOWLES: I would like to ask a supplementary question. I fully understand what you mean when you say your plan was non-negotiated. You put it in yourself in 1947?

Mr. MOFFATT: Yes.

Mr. KNOWLES: A moment ago, when answering a question of mine, you said you felt that this whole question of integration would be the subject of negotiation.

Mr. MOFFATT: No.

Mr. KNOWLES: Would you reconcile those two statements?

Mr. MOFFATT: No, I think I said, when we were talking about integration, that labour's attitude would have something to do with integration. This does not mean this is to be a negotiated item; it could be an individual employee's attitude.

Mr. BASFORD: The most recent example I have is on the west coast. The Canadian Forest Products submitted a unilateral pension plan for their employees. When I say "unilateral" I mean it was not negotiated with the union. It came into effect on the 1st of January of this year, and provides within the plan—and, of course, this is a very recent one—for complete integration with the Canada Pension Plan, which the agreement recites is proposed to be established. That is the most recent example I have taken. I wonder to what extent that applies to your industry in eastern Canada, but you are apparently not prepared to comment on it.

Mr. MOFFATT: Well, we negotiate separately, as individual companies, so what the attitude would be of the industry itself is pretty hard to determine, because it would be a varying attitude. We did not foresee, when our plan went into effect, we would be talking here today on Bill C-136. Our plan was devised without encouragement from anyone, Government or other sources, and

we think we have a very generous plan, one which required some $2 million-odd to get it started, and it has been in effect now since 1947. I am not surprised that the plan of the Canadian Forest Products—I think you mentioned them—provides for integration, because they are dealing with perhaps not a known fact but a very distinct probability.

Hon. Mr. THORVALDSON: Madam Chairman, this is on this problem of integration. I just do not quite understand the first part of item 5 on page 5, where you say:

> The problems of integration are multiplied in our case, particularly if the federal and the two Provincial Governments have individual plans, even though they be similar.

Now, I may be wrong in this, but supposing the two provincial governments, Ontario and Quebec, both have similar plans, will you be then concerned with the federal plan at all? I don't understand that you will be concerned with the federal plan, will you?

Mr. MOFFATT: I don't know. We have employees, of course, outside of both provinces. There are not many, but we have some.

Hon. Mr. THORVALDSON: Outside?

Hon. Mr. CROLL: Is that in plants?

Mr. MOFFATT: We had an operation on the west coast, but we have employees in the other provinces as well.

Mr. KNOWLES: You also have employees from time to time who might have lived in Manitoba or British Columbia and who have moved into Ontario or Quebec.

Mr. MOFFATT: Yes.

Hon. Mr. THORVALDSON: Approximately what is the proportion of your employees in Ontario and in Quebec, say? Are they equal pretty much or are the majority in Quebec?

Mr. MOFFATT: Roughly two-thirds, or slightly under, are in Quebec and the remainder are in Ontario, and there are a few in other provinces.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Have you finished, Mr. Basford?

Mr. BASFORD: Yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes, Mr. Gray.

Mr. GRAY: Mr. Moffatt, I was very interested in your views of the industry, from the point of view of businessmen, with respect to increased control over the adjustment of the plan, and I am referring to the item 6 and the submission in the Canadian Pulp and Paper Association. I was just interested in this.

The CHAIRMAN (*Hon. Mrs. Fergsuson*): Well, Mr. Moffatt is just appearing on behalf of E.B. Eddy Company, Mr. Gray.

Mr. GRAY: I am sorry; I came in a few minutes late and I was told by my colleagues that this was being discussed simultaneously.

The CHAIRMAN (*Hon. Mrs. Fergusson*): No, we have had no evidence given on that. The brief to which you referred we agreed to put in the minutes, but we have not been asking questions on it.

Mr. Moffatt does not, or is probably not, familiar with it, and has not commented on it.

Mr. MOFFATT: We are members of the Canadian Pulp and Paper Association, but we are not appearing here today on behalf of the Canadian Pulp and Paper Association.

Mr. GRAY: Perhaps I could put my question this way, and if you feel you cannot properly answer it because of your own status here, I know you will indicate so: Your Association suggested that control over the adjustment of the

proposed Canada Pension Plan be extended from three years to six years, that is to say, the period within which no change can be made. And it appeared to me that this was quite a different point of view from that expressed several days ago by the Canada Life Officers Association, who not only proposed that the Government deal with this matter by extending the basic flat rate pension, but suggested that it be increased from time to time without any specific control whatsoever of the time period within which changes could be made in pension benefits. I would gather that your Association does not agree with that approach.

Mr. MOFFATT: I know the reason that was put in there. I think, though, that I should let the comments stand.

Hon. Mr. CROLL: On page 6, item (*g*), you say the same thing without spelling it out.

Mr. MOFFATT: Page 6, item (*g*). That is quite correct, and I would be willing to speak to our brief.

Hon. Mr. CROLL: That is the same thing.

Mr. MOFFATT: I don't know what the record is on the old age pension plan, but there have been adjustments made, and these have been made after pressures have been applied maybe inside and outside the Government. We believe that pressures will still be applied, and for that reason the adjustments will be made, and also they can be made without any reference to the Canada price index.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Is that all, Mr. Gray?

Mr. GRAY: Would you feel, sir, that it would be useful to have something in the act extending the time period from three to six years?

Mr. MOFFATT: We did not put it in our brief, sir. This would be a hobble on political parties, would it not?

Mr. GRAY: It would be a hobble on the people.

Mr. MOFFATT: All right.

Mr. GRAY: I want to be clear, sir; I was asking this question because I thought it would be useful to get either your point of view or that of your Association as business people and contrast it with that of the life officers on this point.

Mr. MOFFATT: We don't think, as a business, as a company interested in business and engaged in business, that pensions should be bargaining affairs. We think it should be possible to determine what the aged and the troubled should have and provide this treatment.

Perhaps that is why the term was extended from three to six years; I don't know.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Morison.

Mr. MORISON: My questions, Madam Chairman, basically have been answered. However, I am not clear, Mr. Moffatt, on one point. Is your plan carried by commercial companies?

Mr. MOFFATT: We have our own pension committee and we work through a trustee, and that happens to be Canada Permanent.

Mr. MORISON: Have they indicated any problem as far as integration is concerned? I know they are watching it very carefully and they probably have a few questions, but they are basically concerned.

Mr. HUTTON: I think we should clarify this a bit. Our plan is a trustee plan and the trust company only acts as agent for the trustees, holds the funds and makes the investments. They do not have any place to make recommendations of any kind relating to the clauses of the plan itself.

Mr. MORISON: Did you hire actuaries in setting it up?

Mr. HUTTON: This is a very interesting point, this matter of integration. We do not have a high-powered pension group in our company, but we had to throw up our hands because we could not work out the integration and we placed this in the hands of an internationally known consulting group, and they have had it in their hands for a month or so and have not come back with answer.

Mr. KNOWLES: You could probably have done better yourself.

Mr. MOFFATT: The actuarial companies, or consultants, do not agree either. I have read many of their statements, and whether they are trying to confuse their clients or not, I do not know, but we had trouble at the beginning. We appealed to them and are paying a fee, and have, up to date, not had too much satisfaction.

Mr. LLOYD: I have a supplementary question on this with respect to your pension fund. Do you hedge against inflation with percentage of investments in equities?

Mr. HUTTON: We do.

Mr. LLOYD: How much percentage?

Mr. HUTTON: At the present time it is 7 per cent, but we are moving towards a minimum of about 15 per cent at the moment. We only recently, though, made the move; that is, within the last few years.

Mr. LLOYD: Why did you hedge against inflation?

Mr. HUTTON: As the gentleman over here pointed out, it seems inevitable.

Hon. Mr. CROLL: We could buy Eddy stock to be safe.

Mr. LLOYD: If there is an element hedging against inflation in the Canada Pension Plan, its principle is contained in your own plan.

Mr. HUTTON: Yes.

Mr. LLOYD: Thank you.

Mr. MORISON: I don't want to make a commercial plug for anybody, but an actuary before this committee felt that it was just a matter of adjusting figures as far as inflation is concerned. Maybe I accepted his remarks too simply, but he seemed to have no real basic problem in the inflation of private and public plans.

Mr. MOFFATT: Is that not an actuary's only tool of trade,—figures, and he adjusts them.

Mr. MORISON: And they come out very simplified. Thank you, Madam Chairman.

Mr. CASHIN: I have just one question, Madam Chairman. You may or may not be aware that it seems to be generally established that about one-third of the Canadian work force, or less—30 per cent, maybe—are covered by contributory pension plans at the present time. My question to you is: Do you think it is a good thing for these other two-thirds, who do not have the benefit of working for a company like yours, to have an opportunity to prepare for their future retirement years through participation in a contributory pension plan?

Mr. MOFFATT: They have that opportunity now.

Mr. CASHIN: The other 60 per cent?

Mr. MOFFATT: Yes.

Mr. CASHIN: How?

Mr. MOFFATT: They can buy a Government annuity.

Mr. CASHIN: Do you think that that is sufficient?

Mr. MOFFATT: They can buy insurance annuities. If it is their desire to contribute to their future security they can fulfill that desire very easily now without being employed by us or by anyone else.

Mr. CASHIN: Do you think the reason the figure is so high is that because that 70 per cent has—

Mr. MOFFATT: Do I understand that what you are saying is that if these people have not contributed then they should be forced to?

Mr. CASHIN: I asked you if you think they should not have an opportunity to do so through this sort of legislation?

Mr. MOFFATT: I merely say they have the opportunity now.

Hon. Mr. CROLL: May I put a question to you, Mr. Moffatt? You have opened up an interesting question in reply to Mr. Cashin. Is there not a vacuum there which has to be filled by somebody when 70 per cent of our labour force is without a pension, for whatever reason, and is it not the purpose of government to see that vacuums in such matters as welfare do not exist and do not continue to exist?

Mr. MOFFATT: I think this is right, senator, but you have already a pension plan, and all we have attempted to say in our brief is that if we were in the same position we would not devise another plan. We would not have two plans. We would improve the one we have.

Mr. CASHIN: Is not that what we are doing?

Mr. MOFFATT: No, you are having two plans. I say if we were in your place we would have one plan.

Hon. Mr. CROLL: What we have is a plan with a compulsory savings plan added to it, and which has always been a good thing for the country from wartime on.

Mr. LLOYD: Supplementary to what you have said, Mr. Moffatt, about your having one plan, in what respect would it differ from what you are doing now?

Mr. MOFFATT: If we felt that our plan had shortcomings we would eliminate those shortcomings by improving our plan.

Mr. LLOYD: In other words, you would be agreeable to complying with the provincial law as to portability—

Mr. MOFFATT: Oh, yes.

Mr. LLOYD:—and vesting?

Mr. MOFFATT: Oh, yes, we would, and also if our plan did not encompass those whom we thought later should be brought within the plan—

Mr. LLOYD: So, vesting and portability, to reach many of your employees, would cost you more money, and you would not be afraid of what impact it would have on your export sales, and what effect it would have on inflation?

Mr. MOFFATT: Mr. Lloyd, you are trying to get this into the level of how much a person should get, and so on, but I am merely talking about principles of administration.

Mr. LLOYD: I assure you, Mr. Moffatt, that all of your observations on administration have been observed by every member of this commitee. I think it might be appropriate at this time to state, Madam Chairman, as these minutes are being recorded, that we are very mindful of the administrative difficulties that exist, and we are anxious to get together with our staff when these hearings are over to see if we can find ways and means of making the administrative problem easy. I do not think this has been stated, but all of

us are most anxious to discover ways and means of easing the administrative difficulties that witnesses are pointing out—that is, if it is at all possible to do so.

Mr. MOFFATT: Thank you.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are you finished Mr. Cashin?

Mr. CASHIN: Yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Munro?

Mr. MUNRO: I have just a couple of questions that arise out of the others that have been asked. Mr. Moffatt, you discussed with Mr. Knowles your private pension plan. I might not have understood you clearly, but did you indicate that there were certain facets in your private pension plan that deal with employees' contributing two per cent—that there is a two per cent and a three per cent class as distinct from the four per cent category?

Mr. MOFFATT: No.

Mr. MUNRO: I have one other point, Mr. Moffatt. You have indicated some concern at the administrative level because of your rather unique position vis-à-vis Ontario and Quebec concerning the possibility of administrative problems that you feel will be caused by the Quebec pension plan and the Canada Pension Plan. I think it was indicated that you felt there will be some differences here that will complicate your administrative procedures. I wonder if you have any comment on this. Certainly, the explanations that have been given before the committee up to date by all the departmental officials, and all indications to date by the Quebec Government, would indicate that the Quebec plan is going to be fully integrable in every way with the Canada Pension Plan. That being so, and because the legislation concerning the Canada Pension Plan uses the word "comparable" which, in essence, connotes "almost identical," and which is fairly strong language, I would suggest, therefore, that in that particular area there would not be any administrative problems, not only for you in your unique position but for other employers too with respect to the Canada Pension Plan and the Quebec plan.

Mr. MOFFATT: Even the simplest acts or regulations and directives create problems, and this is not the simplest bill that I have seen. All I would say is if I were to come back here a year after the implementation of the Canada Pension Plan I would bore you with the troubles we have had.

Mr. KNOWLES: That is a relative term.

Mr. MUNRO: Perhaps Mr. Basford would be more competent to talk about this, but you talked about the Quebec plan and you mentioned the Ontario plan. Of course, there is no real indication from Ontario as to their intentions—we are all aware of that—and you also mentioned British Columbia. As I understand it, the Premier of that province has indicated his complete support of, and his intention to bring his province within, the Canada Pension Plan, and not to set up his own.

Mr. MOFFATT: No doubt he knows much more about it than I do. I merely say that the trend has started, and we do not have much control over these things afterwards.

Mr. BASFORD: Premier Bennett has always claimed to be a Canadian.

Mr. MUNRO: I think as a result of the questions asked by Mr. Gray on this matter of stringent control, I take it that your feeling is that there should be some more lengthy period and some more stringent control over changes in the plan. Am I correct in that suggestion?

Mr. MOFFATT: I am not quite sure that I know what you mean by "stringent control".

Mr. MUNRO: In your brief you have mentioned: "Pressures for adjustments, which inevitably will follow". I think it is your point that you would like some type of more stringent control to prevent many adjustments without proper planning behind them that you think will inevitably result in more administrative difficulties, and you want more safeguards in the act. Do I interpret you correctly?

Mr. MOFFATT: I think you did misinterpret what I had in mind. I am concerned about adjustments and pressures for them, but I do not believe that you can put into an act a control which will offset or defeat those pressures. I think the responsibility of our members, both in the Government and in the Opposition, is the best control we can have.

Mr. MUNRO: So you feel that the sections in the act that have the undoubted effect of making controls and limiting the power of adjustment should be, perhaps, removed?

Mr. MOFFATT: No, I am not suggesting that because I do not know enough about the controls and the reasons why they are put in, but you cannot make this plan an iron-bound plan no matter what you do.

Mr. MUNRO: I just want to get your impression of the provision that it requires two-thirds of the provinces, representing two-thirds of the population, to consent to any adjustment—that this was quite a safeguard in this direction.

Mr. KNOWLES: Be careful of that one.

Mr. MOFFATT: I am being careful. I considerated that this section called for a great deal of negotiation and I, as a neophyte, am not going to say whether it should or should not be there. I repeat that the Government and the Opposition are the most effective control we can have. If they are responsible, we have control, if they show a lack of responsibility, then any control written into the act would be of no value.

Mr. MUNRO: You indicated you were born in 1904 and that if you worked steadily until the age 70 you would be one of those fortunate Canadians who would get the full benefit of the transition period.

Mr. MOFFATT: That might be some reason for having it greater than it is now.

Mr. LEBOE: I believe you said your plan was one of the conditions of employment, that it is compulsory. Must your employees do this?

Mr. MOFFATT: After two years it is compulsory.

Hon. Mr. CROLL: That is where we learned our tricks. Ours is compulsory, too.

Mr. LEBOE: Could we have a simple example of the total earnings and the 1½ per cent, as it is figured out, so that it would be on the record?

Mr. HUTTON: You could work it out by the examples. The future service benefits are equal to an annual income of 1½ per cent on total earnings, while contributing to the plan. That is for future service. There is a past service.

Mr. LEBOE: I am thinking of future service.

Hon. Mr. CROLL: I understood that Mr. Knowles was comparing the pension plan. Yours has no survivor benefits, has it?

Mr. HUTTON: Our plan has a guaranteed retirement income of five years. That is the only guarantee. Five years is guaranteed to the estate.

Hon. Mr. CROLL: Is there a disability pension?

Mr. HUTTON: We have a form of disability but it is not universal in the plan and does not cover all the employees.

Hon. Mr. CROLL: Has it a widow's pension?

Mr. HUTTON: No, only to the extent of the survivors being guaranteed five years to the estate.

Hon. Mr. CROLL: Has it an orphan's benefit?

Mr. HUTTON: No.

Hon. Mr. CROLL: So there are some differences as indicated here between our plan and the present plan which you have—which I am not suggesting is inadequate by any means?

Mr. MOFFATT: Yes.

Hon. Mr. CROLL: Let us go back to controls. I do not know whether you have seen the evidence given by the Chief Actuary for the United States, Mr. Myers, to the effect that since 1935, every two years, almost from its inception, there have been changes in the act and the Americans have had to raise the amounts. Our plan calls for a halt for three years, which is more than they got.

Mr. MOFFATT: It is no surprise to me and it reinforces the point I made that there will be pressures and there will be changes.

Hon. Mr. CROLL: With regard to administration, witness after witness has told us there will be problems of administration. Now that I know your age, I draw your memory back to the family allowances. Do you remember the debates about troubles in administration; and do you remember a man named Claxton who put it on the road within 60 days, just in time for the election?

Mr. MOFFATT: I do not know if it had any bearing on it.

Hon. Mr. CROLL: There was no trouble. This Government has great capacity. All governments have great capacity for administration and are able to do these things.

Mr. KNOWLES: King would turn over in his grave. It was not to come into effect until after the election.

Hon. Mr. CROLL: It was not paid until after the election.

Mr. KNOWLES: King made a point of that.

Hon. Mr. CROLL: I say it was on the road before then.

Mr. KNOWLES: You will be hearing from him tonight.

Hon. Mr. CROLL: From his spirit?

Mr. MOFFATT: I agree that governments can administer almost anything and can adopt the administration to do so. They can put in a new department and a new staff and increase that staff if necessary. I was not speaking of government administration but of the administrative problems of our company. We must watch our costs and we point out now that there will be administrative problems in our company. We say that the governments will have these also but the governments have the resources to meet them.

Hon. Mr. DENIS: I understand the employer and employee pay 8 per cent. As regards integration, could you deduct from that 8 per cent the 3.8 per cent contribution charged under the Canada Pension Plan? Could you deduct that from the pension plan and, when these benefits come into effect, could you deduct from the benefits you should pay, the amount of money paid by the Canada Pension Plan?

Mr. MOFFATT: It can be done but it is a roundabout way of giving to the less fortunate and the aged something to which, in your belief, they are entitled.

Hon. Mr. SMITH (*Queens-Shelburne*): A submission was filed this morning by the Canadian Pulp and Paper Association. I understand that no representatives of the Association will appear before the committee, so we cannot enlarge on their brief in that way. However, as a member of that Association, I would like to bring to your attention the following paragraph, which I will read,

and would then ask you if you feel you could comment on it and tell me what weight you would give to the thought contained in it. The paragraph reads:

> We believe that it is important that integration should take place. We recommend therefore that the Joint Committee consider making a statement that, where satisfactory private pension plans now exist, it is desirable that the Canada Pension Plan be combined with the private plan in such a way that there is protection of the existing level of benefits with no additional cost being imposed on the employee or the employer.

That is the first part of the statement. Then there is this other part, which I think would call for a separate comment:

> We believe that such a statement would make a valuable contribution to the formulation of public opinion on the matter, and that it would be consistent with the announced intention of the federal government to integrate with the Canada Pension Plan its existing superannuation plan covering civil servants.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It is scarcely fair to ask Mr. Moffatt to comment on that brief.

Hon. Mr. SMITH (*Queens-Shelburne*): Madam Chairman, perhaps you would permit me to put it. I am not asking him to disagree with this. I am asking him what weight he would give to the thought contained in it. Is it important that that be emphasized and pointed out to the public, that where a satisfactory plan exists, an attempt should be made not to reduce the benefits and at the same time not to increase the contribution—as is done in the federal superannuation.

Mr. MOFFATT: I happen to be a member of the executive committee of that Association. I think the Association is merely saying that the Government has taken this step as far as civil servants are concerned and a similar step regarding other wage and salary earners would not be unwelcome.

I am speaking now on behalf of the Eddy Company, but I think it is a very good thing, and would be a very good thing if this were done. It would give our people in industrial relations some guidance, would give management some guidance, and would help wage and salary earners to understand that this plan was really designed to help those not presently covered under any pension plan.

Hon. Mr. SMITH (*Queens-Shelburne*): In that case, Mr. Moffatt, the key to the whole thing would be what is the joint opinion of the employers and the employees regarding definition of "satisfactory pension plan". If your company has a plan which is satisfactory to those employees, and you both decided you would like to carry on that plan without adding to it, then you think it is important that it be pointed out to all those concerned that they should integrate on the same general basis as the Government superannuation plan?

Mr. MOFFATT: We would think it would be helpful, yes.

Hon. Mr. SMITH (*Queens-Shelburne*): Perhaps I might add, for your understanding of it, that I have had some discussion with the manager and president of one of the companies of the Pulp and Paper Association, who himself thinks it is a very important thing to be considered by both employers and employees. I was wondering whether you would agree with him.

Mr. MOFFATT: Also it depends on the status of their agreements. Our pension plan is not a negotiable item. That would alter an opinion. But, in any case, we think it would be very helpful in guiding us when talking to our

employees individually on the pension plan; but this is not a matter for union negotiation, as far as our company is concerned.

Hon. Mr. SMITH (*Queens-Shelburne*): Can you tell us whether this subject is in general not a matter that is negotiable when you are talking over your problems with the unions?

Mr. MOFFATT: Well, sir, in general, those who have had newer plans are inclined to have plans which have been negotiated, largely because pressure is brought about in some of those plans.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Monteith?

Mr. MONTEITH: Just a brief question. Mr. Moffatt, did I understand you to say in response to a previous question that if you had had a choice you would have preferred to see one pension plan operated by the federal Government? Would you be inclined to think that we could have expanded the present old age security plan to take into consideration survivorship, disability, orphans, and possibly reducing the age limit, and so on, and that adjusting the present plan could meet those requirements without having brought in a separate plan?

Mr. MOFFATT: That would have been my approach, having been given the problem, yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Knowles.

Mr. KNOWLES: Madam Chairman, I put my hand up with respect to a particular subject, and I guess I will stick to it. I was interested in your statement, Mr. Moffatt, that you were having difficulty in getting various actuarial firms to come to any agreement with regard to your integration problem. I wonder if it is not a fact that if you will have an integration problem, you will need to consult actuaries only if you wish to cut back on you present 4 per cent plan. Is it not a fact that if you and your employees were to agree to add a Canada Pension Plan to 1.8 there would be no integration problem, other than just a problem of paying for it, bookkeeping, and so on, and that there would be no integration problem if you added 1.8 on top of your 4 per cent which you have already?

Mr. MOFFATT: Then we merely have the added administration problem, and that is all.

Mr. KNOWLES: And do you not think that it is fair for me to suggest that you look at it in this way, that your situation be not compared with the civil service plan, because there is a plan where the present payment is 6.5 per cent, and when 1.8 is added on top of 6.5, surely that creates an integration problem that does not apply when adding 1.8 per cent to a 4 per cent plan, remembering, of course, that it is not 1.8 per cent on the average, and that you will not end up by paying that, because your 4 per cent is on gross income, whereas your 1.8 per cent is based on an income between $600 and $5,000 a year. So what I am saying is that your situation is really not comparable with that of the civil service plan.

Mr. MOFFATT: Not comparable in that respect, that is correct.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Any other questions which the members of the committee wish to ask?

Thank you, Mr. Moffatt and Mr. Hutton, on behalf of the committee for coming here.

Mr. MOFFATT: Thank you, very much.

Mr. MONTEITH: And may I add that with Mr. Moffatt's first appearance before the committee I hope he finds some understanding from us, and has found it very relaxing and enjoyable.

AFTERNOON SITTING

MONDAY, January 18, 1965.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mrs. Rideout and gentlemen, we have a quorum, and we have two briefs to consider this afternoon. The first is from the Canadian Federation of Agriculture, which is being represented by Mr. David Kirk, Executive Secretary of the Federation, and with him is Mr. Hurd, who is assistant executive secretary. It was not possible for the president, Mr. Bentley, to be with us this afternoon because their annual meeting is coming up next week and they are very busy holding meetings prior to this to be prepared for the annual meeting. So I will ask Mr. Kirk and Mr. Hurd if they will come to the table.

I think you understand, Mr. Kirk, we do not want the brief read, but wish you to summarize it and bring out the points you particularly want us to consider.

Is it agreed that these two briefs be added to the minutes?

Agreed.

Hon. Mr. THORVALDSON: Madam Chairman, are there any copies of this brief?

The CHAIRMAN (*Hon. Mrs. Fergusson*): I think the secretary has some.

Hon. Mr. SMITH (*Queens-Shelburne*): Madam Chairman, with respect to the brief which was placed in our hands this morning, brought forward by the Canadian Pulp and Paper Association, has that been made part of our proceedings too?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes, when I called for a motion this morning I mentioned both briefs.

Mr. KNOWLES: Mr. Kirk's brief is so short I wonder if he could make his summary shorter. The summary will probably be longer.

Mr. DAVID KIRK (*Executive Secretary, the Canadian Federation of Agriculture*): I do think it would save time if I just read it.

Hon. Mr. CROLL: Go ahead.

Mr. KIRK: The Canadian Federation of Agriculture has over many years favoured the institution of a contributory pension plan in Canada, and welcomes the fact that such a plan is now before Parliament. We hope it will soon become part of the Canadian social security system.

On the introduction by the Government of Canada of the first bill setting out a Canada Pension Plan, the Canadian Federation of Agriculture reviewed its provisions and made strong representations to the Government and to members of Parliament that the coverage of self-employed people, including farmers, should be on a compulsory, rather than on a voluntary basis. We are therefore very glad to see that the present bill provides for coverage on this basis, and are gratified that in Parliament the Minister of Health and Welfare noted our organization's position in this respect. It was our view, and still is, that with the passage of the years a system of optional participation would result in nothing but trouble and inequity, and that many of those most needing a pension income would find themselves altogether deprived of one, apart from the flat rate old age pension.

It was the view of our Board of Directors, also, that there should be no lower limit below which self-employed people are not credited with pensionable earnings for purposes of future calculation of pension rates. For one thing, the logic of the "Year's Basic Exemption" system, it seems to us, is at least that if a person earns only the amount of that exemption he should be credited with

income for the year of the amount of the exemption, and not with zero, which we understand is the way the plan works now. In short, we do not think there should be anyone who may not be credited with an income for pension purposes in any year.

One other specific point we wish to raise has to do with the calculation of the pensionable income of self-employed persons. Section B of the bill seems to us to define income according to the terms of the Income Tax Act. We take it that this means that when a farmer adopts averaging, then his averaged income will be, also, his income for pension purposes. If this is not so the act should be revised to make it so. With the extreme variability of many farm incomes, there will be many farmers whose income will fluctuate above and below the maximum pensionable earnings figure. If averaging, for pension purposes, is not permitted, the farmer who experiences such fluctuations will certainly end up with a considerably smaller pension.

That is the extent of our submission.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much, Mr. Kirk. You are prepared to answer questions posed by the committee, I presume?

Mr. KIRK: Yes.

Mr. KNOWLES: Madam Chairman, I am sure, once again, I am speaking for the committee when I say we all welcome this brief. If there are any who disagree with that, then surely they welcome its brevity.

I admit the questions I wish to ask arise out of the fact that we are sometimes told—and I have even heard it said in this committee—that the farmers of Canada are not really interested in this plan. I am therefore, Mr. Kirk, extremely interested in your strong support of the plan and your approval of the fact it has been put on a compulsory basis for self-employed people.

May I be so bold as to ask if you feel you are speaking for the farmers of Canada when you take this position?

Mr. KIRK: Yes, we feel we are. This has been our policy now since shortly after the first bill was introduced. There has been a wide dissemination of the information. This is the position that initially our board took, and it was their judgment this would be in the interest of farmers and would be favoured by them. We have had no indication except the indication of support since that policy was established and up to the present time. Perhaps Mr. Hurd could speak on the farm forum aspect.

Mr. LORNE HURD (*Assistant Executive Secretary of the Canadian Federation of Agriculture*): There are two points on this. First of all, in addition to the Board of Directors taking the original initiative, the policy was confirmed at the 1964 annual meeting of the federation, where there is a very wide cross-section of representation. Secondly, there was this past fall on the National Farm Radio Forum a program devoted to the consideration of the Canada Pension Plan. The result of that forum finding was that 60 per cent came out clear-cut in overwhelming support of the plan as proposed, another 25 per cent were not too sure and felt they needed further information, and only a very small percentage said they opposed the plan. If I recall correctly, this represented something of the order of over 100 forums. There were about 1,500 people involved in the broadcast, if I recall correctly.

Mr. KIRK: It is a sample that indicates, outside of our organizational affairs altogether, the same view.

Mr. KNOWLES: Do you feel, therefore, you are not just giving us a head office opinion but that, rather, you are expressing what you believe to be the views of the farmers of Canada? You would not be in head office very long otherwise.

Mr. KIRK: We never place head office opinions before these committees.

Mr. KNOWLES: Madam Chairman, as other members too are interested in the point you make in the third paragraph of your brief about people with incomes of less than the $600 level, I wonder if I could be permitted to ask Mr. Osborne a question of fact on this, so that we are clear?

Is it correct, Mr. Osborne, that a person earning just over the exemption level, say $601, if he is an employed person, or $801, if he is a self-employed person, pays and gets credit for that full amount—be it $601 or $801; but that a person just under, say at $599 for an employed person or at $799 in the case of a self-employed person, pays nothing and gets no credit?

Mr. OSBORNE: The person who earns $601 pays on the $1 and gets credit for $601. The self-employed person who earns $801 pays on $201 and gets credit for $801. The person who earns $599 pays nothing and gets no credit. The person who reports self-employed income of $799 pays nothing and gets no credit.

Mr. KNOWLES: That was the information I wanted. In light of that, I would like to say to Mr. Kirk I think the point he has made in this third paragraph of his brief is one the committee ought to look at.

Mr. CANTELON: The first point that I had to bring up was one which Mr. Knowles has already mentioned, and that is the point—at least I think this is the one he was getting at—that the farmer's income should be arranged the same as is done under the income tax, so that you can collect on years of low income. I hoped that this suggestion would be carefully considered by the Government.

I noticed too that you seemed to be quite sure in your own mind that this bill should become part of the Canadian social security system. I wonder if you envisage many changes in it or if you think it is practically perfect the way it is.

Mr. KIRK: That has relation to the length of our submission, of course, and the number of subjects we have covered and the number we have not.

I would describe the position this way. It would be going much too far to say that you could take any omissions in terms of policy issues that are involved in the bill as reflecting the view of the Federation that the bill is correct as it stands. The correct position is that our organization has reviewed the bill; it is in favour of a pension plan. It has not identified, on the basis on which it has reached any consensus or agreement, any further lacks on which it wishes to speak.

I do not say in the future, with the operation of the plan, it might not, but it has not to this date, and therefore, of course, there is a presumption of approval. However, I think it would be going too far to say that there is a presumption that we have the considered view of the Canadian Federation of Agriculture.

We do not claim to have given that kind of exhaustive study or to have reached that kind of exhaustive study on all the provisions.

Mr. CANTELON: I was intending to go further, but in the light of that answer I need not do so. I presume that you are commenting on the things that particularly interested you, and there may be factors in the bill that you may not like or that we may not like, but you are not bringing this to our attention. You want to bring these particular factors which you are interested in.

Mr. KIRK: Only things for which we have a policy mandate.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes, Senator Thorvaldson? This has to do with the last remarks?

Hon. Mr. THORVALDSON: Yes. It has to do with the paragraph with respect to no lower limit. That seems to me to be the essential part of the brief. It is the most important part of the brief. You give just a few lines to it, though.

Are you really serious or have you any argument to back it up, because you simply state that that is your position, but you give no argument with regard to it.

I presume you must realize that the problem is one of administrative costs as well as other factors which must have been thought out very carefully. Consequently, although I might say I am interested in your proposition, I wonder if you have any more argument in favour of the proposition that there should be no lower limit?

Mr. KIRK: First of all, our basic argument with respect to the lower limit is simply that this is what you might call a credit that people are getting, citizens in this country are getting, each year, and we think it is thoroughly illogical that by virtue of exceeding a lower income somebody should be deprived of that credit, that is, the basic credit.

Mr. KNOWLES: The $699 man gets it but the $599 man does not.

Mr. KIRK: On the question of administrative difficulties I cannot say we have an administrative plan or have assessed this exhaustively in terms of administration. What we do think is that we have arrived in this country at the stage where we must take account, and must devise ways and means of taking account, of the position and interests of all the citizens in this country, and we speak particularly of the self-employed, of course, as representing self-employed people, and that quite simply this should be done.

I suppose that arguments of administrative convenience could be raised that would be on the side of letting people be missed, so to speak, in the whole procedure, but we don't think they should be missed.

Hon. Mr. THORVALDSON: In other words, you agree that there should be some minimum. Do you agree that there must be some minimum or do you still hold to the point that there should not be any minimum at all? That is what I am getting at.

Mr. KIRK: We are saying there should be no minimum, which means that everybody comes into the plan each year.

Mr. KNOWLES: No minimum for credit.

Mr. KIRK: For credit.

Mr. KNOWLES: You don't mind a minimum for contribution purposes.

Mr. KIRK: No, no; the minimum is for credit purposes.

Hon. Mr. STAMBAUGH: Did I understand you to say that you have taken a vote of the members with regard to the compulsory part?

Mr. KIRK: No, sir, we did not say that. Supplementing our normal organizational procedures for assessing farm opinion, which is the whole organizational structure, you see, and the process for considering policy questions and discussing them over the years and at meetings and in conferences—supplementing that, we pointed to the evidence of a national farm radio forum discussion group program which dealt with the pension plan.

These discussion groups are voluntarily organized discussion groups of farmers. They are not a federal agriculture organizational group.

But our point was that the findings of those groups told the same story as we are telling, in the sense that the farmers of those groups supported, by a good solid majority, the compulsory plan and coverage of self-employed people.

Hon. Mr. STAMBAUGH: You evidently feel certain that the majority of the members are in favour of the compulsory part.

Mr. KIRK: Yes.

Hon. Mr. STAMBAUGH: You have never had a resolution passed at a conference?

Mr. KIRK: Yes, we have.

Hon. Mr. STAMBAUGH: Oh, you have?

Mr. KIRK: Yes, of course; yes, we have.

Hon. Mr. STAMBAUGH: Do you know if the same holds true of the Farmers' Union of Saskatchewan and Alberta?

Mr. KIRK: I am not sure. I am not saying it does or does not. I don't recall, and I should not speak for them without being perfectly sure.

Hon. Mr. STAMBAUGH: I thought you might know if they had had a resolution at a convention, possibly.

Mr. HURD: We go so far as to say they are not member bodies of our organization and they have not opposed compulsory organization through our organization.

Hon. Mr. STAMBAUGH: You have discussed this with them?

Mr. HURD: Through our annual meeting, yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Côté?

Mr. CÔTÉ (*Longueuil*): Can you tell us if this plan will cover most of the farmers in Canada, and do you have any ideas about the number of farmers who should be covered?

Mr. KIRK: In terms of the income position of farmers?

Mr. CÔTÉ (*Longueuil*): Yes.

Mr. KIRK: $800 is not much money to live on these days, and there are farmers who make less than this, and some who make less than this quite regularly, we are quite sure. I don't just have those figures with me. They are not easy figures to deal with because any data we have is not clear on the total income position of the farmer and non-farmer, but there are data which do indicate that there are very significant numbers of farmers who are almost exclusively engaged in farming, whose net income position, judged by their gross sales could hardly be more than $800.

Mr. CÔTÉ (*Longueuil*): But the majority of farmers are above that.

Mr. KIRK: The majority of farm people, I think, are above this limit, of course. If you take their full income position into account, that is.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Is that all you wanted, Mr. Côté?

Mr. CÔTÉ (*Longueuil*): Yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Basford.

Mr. BASFORD: I noted the position of your Federation is that the Canada Pension Plan should be compulsory. Now, the committee had before it the other day a Mr. Kilgour, the President of the Great-West Life Assurance Company, and he wept crocodile tears over the fate of the western farmers, saying, as I understood him, that this plan would be ineffective for that group of farmers earning $1,200 or $1,500 a year, and it would not be helpful to him, and the Government would never be able to make collections from those farmers.

I take it that your Federation does not agree with that submission?

Mr. KIRK: No, it does not.

Mr. BASFORD: Thank you.

Mr. HURD: I might add that we have not made it clear, and it should be clear to the committee, that our organization asked for a contributory pension plan before this Government or any other Government proposed that such a plan be implemented. This is not a new policy position with our organization.

When the pension plan was introduced by the Government we opposed the voluntary nature for self-employed people, and our annual meeting clearly gave us a mandate to raise the question of compulsory coverage for the self-employed.

Mr. BASFORD: You think it is administratively feasible to collect contributions from a farmer who is making a cash income per year?

Mr. HURD: Yes.

Mr. BASFORD: I notice in your brief you ask that averaging be allowed but not for the purpose that farmers and fishermen are allowed to average their income over a number of years, which is to avoid the incidence in a good year of highly graduated rates of income tax. I point out that under the Canada Pension Plan the contributions are at a flat rate, of 1.8 per cent or 3.6 per cent, regardless of income, and that the need for averaging, such as that to avoid an increasing rate of tax, is not there.

Mr. KIRK: In this respect that problem does not arise, I agree, and especially, let us say, ten years from now when a farmer who has had this variability of income around the maximum. You see, if his income varies around—that is, above and below—$5,000, then his average for benefit payments, if the averaging is not allowed, would have to be below $5,000, even though the average of his actual income might have been $6,000, because you cannot put into the plan an average of income of more than $5,000 in a year. That is the reason for it.

Mr. MACALUSO: Supplementary to that question, Madam Chairman, and with respect to the averaging of the farmer's income, will not the way the average is calculated in the bill itself provide this average you are talking about, and about which you are concerned?

Mr. KIRK: We do not think so—at least, as we understand it—because in a year in which a farmer's income is, let us say, $6,000—let us take two years for a simple average. If his income was $4,000 in one year and $6,000 in another, the average of his income would be $5,000, which is the maximum for pension payments. But, the way it would work, if the averaging did not apply, would be that he would have to pay on $5,000 in his $6,000 year, and on $4,000, as we understand it, in his $4,000 year, and his average for those two years would be $4,500 and not $5,000.

Mr. MACALUSO: Well, Mr. Kirk, at page 2 of your brief, in the third paragraph, does not the Federation say that it believes that if the exemption were done away with the coverage would really be extended to more farmers in Canada?

Mr. KIRK: Yes, it would.

Mr. MACALUSO: Do you have any idea how many more farmers would be covered if the exemption was done away with? Have you made any studies of that?

Mr. KIRK: I am sorry that I cannot remember the figures, but an analysis that ARDA made the other day of the census figures showed that there are considerable numbers of farmers who work only one month or less off the farm in a year and whose gross farm sales are $2,500 or less. When you make only $2,500 in gross sales, then your net is very, very likely to be under $800. Unfortunately, we really do not know precisely how many such people there would be. We think there would be quite a number of individuals. I think that one of the ways in which people manage to get along at all in some of these low income positions is that they really have a family position. They have other people in the family who probably help, and who contribute to the income, but this income is based on the earnings of adult individuals. We are quite

sure that there are significant numbers of adult individuals engaged in farming who make a net of $800 or less in one year at one time or another, but I am talking of a fairly persistent thing.

Mr. MACALUSO: You readily realize, as you say, that there are many families who make a net of $600 or $800 a year who should not be in the farming business. This is a problem that is brought up intermittently. You can perhaps sustain your family, but if you need other things then an income of $600 or $800 or even $1,000 presents a problem, but a different problem from the one that presents itself with respect to averaging income for self-employed people. Am I making myself clear to you?

Mr. KIRK: I am not sure.

Mr. MACALUSO: There are two problems. There are many farmers whose net may be only $800 or $1,000 per year, and there is one problem in the fact that perhaps that adult person should not be in farming. While he may be able to keep his family on what he is able to grow on his own farm, and try to save what he makes over and above that, do you not think that the low income of this person will hurt the income of the moderate income farmer—that his average may be reduced as a result of the net of $800 or $1,000—in his having his income averaged over the same period of time?

Mr. KIRK: It does not seem to me—I do not really see the relationship. The averaging provision we are talking about is, first of all, an optional provision in the Income Tax Act. A farmer does not normally use it if his income is at a level where he does not pay income tax. As you pointed out yourself, if he stays persistently below the $5,000 level then the averaging makes no particular difference because it is averaged in the regular processes of the bill. It is when his average is around the $4,000 to $6,000 level—

Mr. MACALUSO: Would you not feel that averaging is likely to have an adverse effect on the income of other farmers in the calculation of their averages?

Mr. KIRK: I really do not see how the averaging provision used by one farmer affects another.

Mr. MACALUSO: This is just for the sake of my own curiosity, you might say, because I understand that losses would be included in the determination of average earnings which would otherwise be excluded, and that many farmers would be deprived of the benefit of the drop-out formula that is in the bill.

Mr. KIRK: Well, I can see where there might be problems of decision arising for farmers. I do not know for sure, but I can imagine that there might be problems of decisions with respect to adopting averaging, if they think that averaging has one impact that is favourable to them in relation to income tax, and another impact that is unfavourable to them in relation to pension benefits. I do not say that that is impossible, if that is what you are referring to, but that is a thing that will have to be worked out.

Mr. MACALUSO: Would not the losses in one year act to reduce earnings in other years, thus lowering the pensionable earnings unnecessarily?

Mr. KIRK: Yes, they could, if your position was that these years were of such a number that they could be eliminated altogether under the averaging provisions.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Is that all, Mr. Macaluso?

Mr. MACALUSO: Yes, Madam Chairman.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Munro?

Mr. MUNRO: Just following along on the averaging, would it be fair to say that for the farmer whose income is up around, as you say, the $5,000 level,

the bill in not going along with the averaging that you desire, does, in effect, have somewhat of an adverse effect such as you have described, because a farmer may earn $6,000 in one year and $4,700 in the next year, and he has lost the benefit of that cushion of $1,000. But, you are talking about that particular class of farmers who are up close to the $5,000 level?

Mr. KIRK: That is right.

Mr. MUNRO: When you get to the farmer who is at the $3,500 or the $4,000 level then your argument for averaging would seem to lose a considerable amount of force, because in that particular case if there were averaging as you desire, then that particular farmer who generally fell between that range but who had losses during one year, because of this very unfavourable climate that farmers live in, would be concerned about the drop-out feature for the months of lowest average earnings, and as a result his overall income of, say, $3,500 or $4,000—if it was a drastic loss in one year, his whole pensionable earning record over a series of years would be lower, and he would be really penalized by this very provision that you are suggesting we should incorporate in the bill.

Mr. KIRK: Probably we should have enlarged on this point. We thought of this in terms of an option. It is an option in the Income Tax Act to average for income tax purposes. I am sure we thought of it in terms of the availability of the same option in connection with the pension plan payments, if it were a necessity to average. Under the Income Tax Act you pick five years to average on if you want to. It is not a regular moving average. We are not suggesting that for the pension plan, either, for farmers. Otherwise the factor you mention would certainly occur.

Mr. MUNRO: Then you would be prepared to go this far, that in the mid range—it does not amount to very much money, but we have heard some argument that we should be most anxious to help those in the lower income bracket, the $3,000 to $3,500 range—the way the bill is now drafted is really beneficial to them. There are two sides to this averaging business.

Mr. KIRK: Yes, of course

Mr. MUNRO: I would suggest that the way the bill is now, it is assisting the farmer whose earnings are at the lower level, as compared to the farmer whose earnings are around $5,000.

Mr. KIRK: I agree it should be automatically an option than otherwise. If it is applied as a requirement to average in the regular way, this would undermine for many farmers the advantage of this provision for dropping a number of low income years.

Mr. MONTEITH: As a very simple average, it does not have to be collectible on the same basis as income tax.

Mr. KIRK: It would not be too difficult to average for income tax purposes.

Mr. MONTEITH: It occurs to me that the Department of National Revenue on a collecting basis would find it much more sensible to collect it in any one year on the same basis for both.

Mr. KIRK: It would be more convenient. As this gentleman has pointed out, you could force a farmer into a position of either hurting himself on the pension side of it, or hurting himself on the income tax side of it, either by averaging or not averaging as the case might be, and it seems to me that in both cases they should be optional for their own purposes, because they are different purposes.

Mr. MUNRO: You mentioned the Income Tax Act in the brief. You say that according to the terms of the Income Tax Act, and as you understand it, the provisions here would be that, as far as determining pensionable earnings are concerned, we do not count investment income or, say, income from rental

purposes. There is a distinction there. This act was compared to the Income Tax Act. What is your feeling, as far as this factor is concerned, with relation to the farmers?

Mr. KIRK: I must say that is a point which has escaped me. We were thinking in terms of section 13: "The amount of the self-employed earnings of a person for a year is the aggregate of... his income for the year from all businesses..." except, as you point out, the rent. We do not have any particular view on that particular aspect of it. I must say I have not thought that one through at all, nor has our board thought it through, so I would hate to jump at that one.

The CHAIRMAN (*Hon. Mrs. Fergusson*): You could scarcely answer it, if you have not considered it.

Mr. FRANCIS: I want to ask whether the federation had looked at the definition of income which is used by the old age security legislation in the United States, where they have a separate definition of farm income. I thought that when Mr. Myers, the actuary, was testifying before us, it was closer to the concept of gross farm income. I wonder if the federation has looked at this?

Mr. KIRK: We have not given any special study to that concept. The net income proposition did not, on the whole, strike us as an unreasonable one, looking at it in terms of the whole concept of the act.

Mr. MACALUSO: My questions are the same as Mr. Munro's. There are very few definitions which might be confused here on income. One is calculated for pension purposes from contributions from salaries or wages and that is what is included in this bill, whereas income tax under the Income Tax Act includes business income, rental profits, and you are also excluding losses. I think there are two definitions which are probably being confused, one for income tax purposes and one for this bill.

Mr. KIRK: Yes, there is that exclusion there. I agree they are different.

Mr. MACALUSO: If the net earnings for pension purposes is going to mean initially that rate of 1.8 per cent, there may be no need to average farm income over a period of years for the purposes of levelling out the effect of graduated rates of tax.

Mr. KIRK: For a great many farmers there is no need for the average and, as has been pointed out by members of this committee, in some cases it would be a positive disadavantage if it were attempted, but there will also be cases, and this is why we want the option, where it is a distinct advantage to have that option, because the variability happens to turn around this point.

Mr. MACALUSO: You probably have in your office some figures giving the number which would be affected amongst the farmers. Would it be possible to provide that information in writing to this committee for its consideration?

Mr. KIRK: We will provide the best we can. You understand that farm income figures are excessively difficult figures to get, especially in terms of something that makes a net income, because there are no net income figures.

Mr. MACALUSO: If it is possible.

Mr. KIRK: We could provide figures that would give some indication.

The CHAIRMAN (*Hon. Mrs. Fergusson*): You will send them in to the secretary to the committee?

Mr. KIRK: Yes.

Hon. Mr. THORVALDSON: I wonder if you would answer a question with regard to the figures at the top of page 2, where you state that there should be no lower limit below which self-employed people are not credited with pensionable earnings, and so on. I thought Mr. Kirk suggested that you might be

able to get the figure as to the number of people affected and if you could it might be valuable to have it for the committee.

Mr. KIRK: Again it would only be an indication and it is in that particular category that we are most able to give an indication. With respect to the impact of the averaging and the number of farmers affected by that, I am exceedingly doubtful about the likelihood of getting any useful figures in that area.

Mr. KNOWLES: A question was asked earlier of the witnesses with regard to the position in a compulsory pension plan of the farmers unions. Naturally we could not expect these witnesses to testify for other organizations, but I might refresh the memories of the members of the committee. As all honourable members know, just about every year, briefs are brought to us in Ottawa by the Federation of Agriculture and by the Interprovincial Council of Farm Unions. I happen to recall what was in these briefs on these subjects, because I pay particular attention to them and asked questions in the house based on that. My memory is quite clear that on two occasions in recent years farmers unions through their interprovincial council have supported the principle of the self-employed being included on a compulsory basis, parallel to the position taken by the Federation of Agriculture. I think that since a question was asked and since we all have the answer it might as well be on the record.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you, Mr. Knowles. Although you are not really called upon to give evidence, that is very useful information.

Hon. Mr. CROLL: It is really not evidence, it is testimony.

Mr. KNOWLES: It is given just to refresh your memories.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It is good to have it on the record. Mr. Kirk and Mr. Hurd, thank you for coming before us.

Our next witness is Mr. R. C. Dowsett who is a Fellow of the Society of Actuaries.

Mr. Dowsett comes from Toronto, where he graduated from the honour mathematics and physics course, University of Toronto. In 1954 he qualified by examination as a Fellow of the Society of Actuaries. He stresses that he is not appearing as representing that Society but merely is representing himself. Mr. Dowsett, would you give a resume of the points you want taken up, and then answer questions.

Mr. R. C. DOWSETT (*Fellow of the Society of Actuaries*): Thank you. Honourable members, as Madam Chairman has said, the views expressed in this brief are my own and I present them as a Canadian citizen concerned about the future of Canada and about the environment in which my children will live and work.

My brief was prepared hurriedly and in places it is not quite clear. For this I apologize, but there was little time available before the December 31 deadline.

In its currently proposed form, the Canada Pension Plan would have some very important advantages. Widows benefits and orphans benefits, provided on a modest basis, are desirable; also, some method should be found to increase the total social pension available for some older persons under 70 years of age.

However, the Canada Pension Plan has serious shortcomings as a social welfare measure because:

It does little for Canada's current aged population and for many Canadians under age 70 years who will not in the future make contributions to it.

It would involve the build-up of a so-called pension reserve fund the assets of which would be placed under the control of provincial governments.

It purports to be a "contributory plan", apparently giving a benefit refund to a contributor which has a value approximately proportional to his contributions, while in fact extensive cross-subsidies would be involved; the contributory principle is suggested but not really followed.

The "contributory" aspect of the Canada Pension Plan—whether real or only implied—would make it very difficult for some future government or governments to reduce the burden to be borne by the Canadian economy through reduction in benefits.

The long term combined tax requirements of the Canada Pension Plan and the Old Age Security program could prove to be a stifling burden for Canada.

These comments on Bill C-136 are developed under four headings:

What are the priorities for social measures requiring tax revenues?—Provincial Development Fund versus Canada's current aged.

A social pension program related to wage levels need not be a "contributory" program.

Some changes in the scope of the Canada Pension Plan—1964 version as opposed to 1963 version—and comments on "Partial Funding."

Combined long-range cost estimates—Canada Pension Plan and Old Age Security Benefits.

No discussion has been set forth concerning the advantages and disadvantages of indexing and other features.

Under the first heading:

What are the priorities for social measures requiring tax revenues? Provincial Development Fund, first and Canada's aged, second, or vice versa.

I understand that all major parties have said they believe in a comprehensive plan to apply to as many people as possible in this country, and I underline the words "as many people as possible."

This indicates that many people in Canada live today on inadequate incomes; the government feels that a social welfare measure should be adopted to increase the incomes of those who need it. This seems to be reasonable and straightforward. The government would seem to be primarily interested in raising the incomes of those who have difficulty existing on their present incomes—its interest is not primarily to provide increased income for all of the aged. Surely the first thought is to get extra dollars to the needy.

Now Bill C-136 will not provide incomes in excess of the Old Age Security benefits for persons now over age 69 years. Why? Because of the plan design.

If a newly adopted government plan doesn't increase the incomes of some of the needy aged, and if such a plan does increase the incomes of some of the aged persons who do not need it, these anomalous results must flow from unavoidable elements in the plan design which are only left in as necessary evils in order to create an overall plan that will be acceptable.

But are all the "evils" necessary? Are all these elements unavoidable? If we had a social pension scheme that did not build up such a large "reserve fund" it could pay increased incomes to some of the current aged. What is the necessary social welfare or other program that is to be supported by the tax revenues, raised through the Canada Pension Plan, which are ploughed into provincial securities? Is the need for the programs that will be developed using these reserve funds, more pressing, than the need for payment of incomes in excess of Old Age Security benefits to the current Canadian aged population?

If we want to get "a comprehensive plan to apply to as many people as possible in this country", it will be strange if we adopt a plan which channels

current tax dollars—raised in the name of the plan—into some provincial government development program rather than into increases in income for the current aged.

In my examination of the Actuarial Reports on the Canada Pension Plan and the White Paper and other information, I have not been able to turn up any studies of the numbers of aged in the current population requiring additional income to maintain a minimum standard of living. It seems to be utmost good sense to gauge the size of this need—define it—estimate its characteristics—forecast its future development—before undertaking a mammoth program which purports to eventually fill that need. But I have not seen detailed statistics which indicate that the Canadian aged population of today is living to some degree in want. Should the committee not see these? Perhaps it has done so. It must be true that some of the aged are living in want—but how many?

Let us assume that the studies do exist and that the need can be adequately demonstrated. But Bill C-136 would provide no answer for those in the aged population today. It would only provide an answer for those who retire in the future; and even then, not for all the future aged. What about the women who work for only a short number of years? What about those persons who are already out of the labour force at younger ages? Some of these will be found in the "needy category" in the future.

If the Canada Penson Plan is good, and the benefits worthwhile, why should we wait for 35 years before the whole plan is brought to maturity? It has been argued that we cannot afford to pay the full benefits now—that we must grade into it slowly over a period of years. But Bill C-136 calls for the collection of substantial funds to be used in other ways during the maturing process—a partial funding. So it would appear that we could afford a much faster maturing process were it not for the apparent greater need of the other programs, albeit provincial programs, requiring the extra funds. Common sense would seem to indicate that these provincial programs must be compared with a detailed analysis of the income problems of the current aged population, before the legislators can properly decide to channel tax dollars to one place instead of the other.

Miss LaMarsh has indicated she thinks it would be irresponsible to double current Old Age Security costs in order to give $100 per month Old Age Security pensions at age 65; it would be a greater irresponsiblty to incur approximately the same cost and to ignore those in the current population over 69 years, and to ignore the other members of the population who are not attached to, and will not ever be attached to, the labour force, This irresponsibility is inherent in Bill C-136.

If we need a social welfare measure to increase benefits for Canada Pension Plan contributors, we shall need another measure to increase Old Age Security benefits for non-contributors.

Under the second heading: A social pension program related to wage levels should not be and need not be a "contributory" program.

It has been argued that the flat-benefit Old Age Security pension program doesn't solve the social problem adequately because there are wide variations in the income required, in various parts of Canada, to provide a modest living standard. Further it is argued that the way to correct this problem is to relate some part of the total social pension to the various wage levels in different parts of the country, on the assumption that in this way needs will be more adequately met.

The question is then "How can we effect this relationship of social pensions to wage levels?" One answer is as follows: base a part of a citizen's

social pension upon his own "reported earnings". Then it seems logical to require a maturing period in order to build up some history or record of contributions on reported earnings, so that we can pay back to the citizen benefits related to those contributions. But this contributory principle brings with it the awful problem of the ignored citizens—the current aged and others who cannot make contributions.

Is there another answer to the question? Could we find a better way to relate extra social pensions to wage levels, without adopting the contributory principle? If it were possible to relate total social pension benefits to wage levels in various parts of Canada, this would solve the social problem.

A possible solution might be to increase Old Age Security payments in the different parts of Canada by an amount which is based on the various different wage levels in those different parts of Canada. The income tax base (now $3,000) for the Old Age Security Tax could also be increased by varying amounts in the various parts of Canada. A detailed study of income needs of the current aged population—province by province—should indicate the required variations.

Bill C-136 calls for variation of the monthly Old Age Security Benefit in the future to reflect changes in the "subsistence level" needs in Canada. This variation would be effective for both Canada Pension Plan contributors and non-contributors, and the increase will be applied on a countrywide basis without any variations. This seems anomalous when there is no attempt in the Canada Pension Plan to vary the pensions of all non-contributors to reflect provincial variations in wage levels or to reflect urban versus rural variations.

The whole concept of Bill C-136 is geared to varying benefits. For instance, the plan would give Newfoundland fishermen a total social pension which would cover his basic needs adequately, while at the same time it would attempt to give an industrial worker in Toronto a different total social pension which would cover his basic needs just as adequately—larger benefits for the Toronto industrial worker. However, the wives of these two men have differing basic needs as well, and yet—if they are attached to the labour force during their working lifetimes for only a short time or for no time at all—the social pensions that the two women will receive will be just about the same, and equal to the Old Age Security Benefit alone. Why should the benefits payable to the women not be varied in proportion to wage levels in the areas in which they live?

If social pensions were handled as a matter of right under the Old Age Security pay-as-you-go approach, without the contributory principle, but with total benefits per person—including wives—varying by province, the need would be met in a much better way.

For a private pension plan, the contributory principle is most desirable; for a public pension plan it is anathema. In a private plan, the equity principle must be followed, but in social pension planning the guiding principle is—or should be—adequacy.

Under the third heading: Changes in the scope of the Canada Pension Plan—1964 version as opposed to 1963 version—and comments on "Partial Funding."

The Canada Pension Plan outlined in Bill C-136 differs markedly from the proposal covered by the Actuarial Report of August 30, 1963. It is enlightening to examine the differences, in terms of the cost estimates set forth in the two Actuarial Reports.

In connection with these reports I would like to congratulate Mr. E. E. Clarke, Chief Actuary, and his staff. In preparing these cost projections for the various different Canada Pension Plan Benefit proposals they have carried out an excellent job of actuarial forecasting.

Under the original Canada Pension Plan, the earnings upon which contributions were based, consisted of the first $4,000 per annum. Iinitially, contributions were to amount to 1% from employer and 1% from employee, of contributory earnings. In the cost estimates for the years 1965 through 1974 three items were considered separately. Item 1—the $10 per month addition to the O.A.S. benefit; item 2—the optional early commencement of the $65 per month O.A.S. benefit; and item 3—earnings-related benefits. In my briefs I set forth the figures for the three years 1966, 1970 and 1974. The estimated total benefits cost varied little from the 2 per cent of contributory earnings.

Now, in 1965, no longer does the Canada Pension Plan concern itself with flat increases in the O.A.S. benefits.

The $10.00 per month increase in the Old Age Security benefit was provided for through an income tax increase of 1% on taxable income up to $3,000.00. The redesigned Bill C-136 is not nearly as generous with the options for early commencement at reduced levels of the basic Old Age Security benefit as was the original plan. Obviously, this change will reduce the 1966 through 1970 costs of the early commencement of income provisions.

It is interesting to observe that in the second Actuarial Report there is no mention whatsoever of the additional cost resulting from payment of reduced Old Age Security pensions at ages 65 to 69. While this is not a cost item connected with the wage-related benefits, it is a cost item flowing from Bill C-136, just as the cost of early commencement of the $65.00 per month Old Age Security benefit was a cost flowing from the original Canada Pension Plan proposal in 1963.

And I think the commitee should know the size of this cost under Bill C-136, even if it is to be handled by the existing rates of tax for the O.A.S. So if we take the original Canada Pension Plan and remove item 1, the $10 flat O.A.S. benefit, and item 2, the cost of early commencement of O.A.S. benefits, we have left benefits estimated to cost .02 per cent of contributory earnings in 1966, rising to .25 per cent in 1970, and to .73 per cent in 1974. These figures are very close to the corresponding figures for wage-related pensions costs in the 1964 proposals.

In the building up from this tage to Bill C-136, disability pensions, survivors pensions and death benefits were added, costing in 1966, nil; in 1970 either .37% or .36%; in 1974 either 1.06% or 1.03%.

But Bill C-136 would call for the tax rate to be increased and the tax basis changed so that now total contributions are 3.6% of annual earnings over $600.00 and up to $5,000 per year.

So, comparing the two proposals, the early benefits available would be reduced, the $10.00 per month Old Age Security benefit transferred out of the Canada Pension Plan consideration—to be paid for by other taxes—and at the same time the tax burden would be increased for many people. And all this is done to raise a "Partial Fund". Is there anything good about a "partially funded" plan? In the United States a partially funded plan was amended and amended, and has become a pay-as-you-go plan.

The build-up under Bill C-136 of a partial reserve fund has been explained as one of the results of compromise between the views of the federal Government and the views of the provincial governments.

But it is unreasonable for the federal Government to adopt a massive federal program which may create unwieldy problems 20 years hence for the whole of Canada, when that program has a major defect—the creation of a fund—which the federal Government appears even now to recognize as a defect. If Bill C-136 is passed will not the federal Members of Parliament have the responsibility for enmeshing the whole country in the partial fund concept and its problems?

If a province wishes to raise funds for provincial development, the straightforward approach would be to tell the voting public the reason for which the tax is adopted. Combining a development fund tax with a social pension plan tax, and advertising the whole tax as a contribution to a pension plan may be politically smart, but I do not think it is forthright.

Now, the fourth heading: Combined long-range cost estimates for Canada Pension Plan and Old Age Security benefits.

Cost estimates for both the proposed Canada Pension Plan and the Old Age Security benefits should be considered together. These two programs are so inter-related that it is only common sense to consider the combined costs. The Canada Pension Plan cannot stand by itself without Old Age Security.

It has been said that the Old Age Security Act is not doing enough; then, improvements in the solution to the problem should take account of the current possibly inadequate solution.

Mr. Munro asked on December 14th for some Old Age Security cost estimates in terms of percentages of contributory earnings. On December 15th Senator McCutcheon asked a similar question, and I do not know if these questions have been answered yet. I have not seen them and I would be most interested to see them. In any event, I calculated and have shown some approximate estimates of the combined costs of the two programs for the years 1980, 2000 and 2050, expressing costs as percentages of contributory earnings. Intermediate cost figures are: 9.06 per cent in 1980, 11.08 per cent in the year 2000, 14.70 per cent in the year 2050.

Of course Old Age Security benefits are currently provided by the 3-3-4 formula; however, for comparison purposes we should look at the total cost of the two benefit schemes, when related to the same tax base and expressed in the same terms.

No doubt proper, more accurate forecasts of Old Age Security costs have been calculated by the chief actuary and his staff. However, the figures given above indicate the possible size of the combined program. It is to be hoped that the legislators consider the two costs together. In 1980 the high cost and low cost figures are not very different—9.43% and 8.68%, with a mean of 9.06%; this would be a heavy load to carry!

Even if we accept these intermediate cost figures for 1980 as within our means, what alarms me is the contributory aspect of the Canada Pension Plan benefits which will force future benefit formula enrichment to match possible future increases in contribution rates.

Now some conclusions: I think more detailed statistics should be made available setting forth the distribution and numbers of aged Canadians now receiving less than adequate incomes, with figures to indicate regional differences, if any, in the inadequacies, and the adequacy of the Canada Pension Plan proposals should be tested against these statistics.

Instead of using early Canada Pension Plan contributions for provincial development fund purposes, they should be used to extend additional benefits to the current aged population of Canada on a pay-as-you-go basis.

The contributory aspect of the Canada Pension Plan—injected in order to yield variations in social pension benefits in line with varying income needs—should be removed. It is not a solution to this problem.

Optional early commencement of the current Old Age Security benefit should be made subject to a form of earnings test similar to the restriction placed on the earnings-related benefit suggested under Bill C-136.

Thank you for your attention.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you, Mr. Dowsett. Several members have indicated they wish to question you. Mr. Cashin?

Mr. CASHIN: Yes, I was rather fascinated by the reasoning used here. I do not mean to be facetious, but if you come as my opponent for the next election I wish you would advocate the same things forcibly in my constituency.

Mr. KNOWLES: He comes from Newfoundland.

Mr. CASHIN: Would you agree with this—I gather you would, anyway, from your brief—that what we really should be trying to do is to maintain a level between retirement income and the income that people earn during their working years. I gather that is what you mean by your paragraph 4, where you would change the benefits from region to region based on the average—how do you put it, the different levels in different parts of Canada? In other words, what you are saying under your suggestion is, if the income in the province "X" is lower than in province "Y", by giving them a pension in relation to this we are maintaining in retirement a ratio to that?

Mr. DOWSETT: This is an aim which is in common with the aims of the Canada Pension Plan. This is what the Canada Pension Plan is attempting to do, to give an income after retirement in relation to the income enjoyed before retirement.

Mr. CASHIN: So, you approve of this principle, but disagree with the way we have applied it, is that it?

Mr. DOWSETT: Yes, I believe that is right. I approve of a social pension scheme being adequate. I think the O.A.S. system we have now is a wonderful one. I can remember as a student, in 1954, studying this O.A.S. pay-as-you-go plan in Canada with a corresponding social security system in the United States and being so proud of my Canadian birthright.

Mr. CASHIN: Therefore, you would disagree with Mr. Kilgour who says that we pay the highest benefits to those who need them least and the lowest benefits to those who do not need them least?

Mr. DOWSETT: I do not understand that that follows.

Mr. CASHIN: You would be paying a higher benefit here than you would be in the Province of Newfoundland?

Mr. DOWSETT: Just as the Canada Pension Plan does.

Mr. CASHIN: You are saying that in the Province of Newfoundland the whole standard of income is lower, and consequently Newfoundland should have its own little standard and should not try to enjoy the prosperity of the rest of the country, even though by importing your automobiles we are contributing to your welfare in Ontario. You are segregating us as a second-class province and are maintaining that position.

Mr. DOWSETT: I would submit that the Canada Pension Plan would do it to a much greater degree than my proposal here. As a matter of fact I would suggest that an examination of median income figures for people over the age of 65—and Dr. Willard commented on some of these—might indicate that these provincial variations would be negligible.

Mr. CASHIN: I will give an example of gross discrimination—

Hon. Mr. THORVALDSON: I think it might be polite to let the witness finish. He has given an excellent report and he was stopped in the middle of a sentence. Let him finish.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Would you rather finish?

Mr. DOWSETT: Yes. Dr. Willard commented on some data with respect to median income figures for those over the age of 65 by province—urban and rural non-farm figures separate. Could not these figures be compared with some estimates of basic subsistence levels, with provincial variations and also urban as opposed to rural variations?

Dr. Willard commented that from province to province the rural incomes don't vary as much as one might expect; also the urban median income figures are not too dissimilar, but rural and urban figures do vary. I wonder what are the corresponding income needs figures? Could the required Canada Pension Plan old age benefits be tested against the shortages shown by such comparisons? My real point is, I think, that this need should be examined, and the adequacy of the Canada Pension Plan or any extension of the O.A.S. should be tested against these shortages, and I will say that I feel that there has been not enough testing of the Canada Pension Plan as an adequate social measure.

I feel that we have looked at the effects of the Canada Pension Plan from an economical point of view and we have costed it up against a detailed, exhaustive actuarial report, but we do not know if it is going to solve the old age income problem as an adequate social welfare measure, and with these studies we might end up with a situation where you find out that there was no need for a provincial variation, and even if there was a need for a provincial variation I am sure it would be far less than the provincial variation which is inherent in Bill C-136, which is discriminatory in my view against Newfoundland to a far greater degree than anything I could envisage.

Mr. CASHIN: You were the one who said we should be maintaining an income relationship relative in retirement to what they earned in their working years. If that is true, then in Newfoundland or in any low income group they will retire with the highest percentage under that plan. However, I would like to draw this comparison. On the basis of what you have said, the level of income is 50 per cent higher in Ontario, and a man who makes $1,000 a year all his life in that province will retire with 50 per cent more benefit than the fisherman in Newfoundland. So, by your system I think you are grossly discriminating.

You are saying that because a man is a low income man in a high income society he will get a higher benefit than a low income man in a relatively low income province, and this is not what the Canada Pension Plan does. It is done on an individual basis.

Mr. DOWSETT: Let us look at the O.A.S. benefit for a minute. It is supplied on a country-wide basis currently, and is not the reverse true of a level benefit?

Mr. CASHIN: Well, you have to take the two together. You have the Canada Pension Plan and the $75 flat rate. The fact of the matter is that the low income man receives a higher proportion in his retirement years to his life's income than does the high income man, if you consider $5,000 a year a very high income.

Mr. DOWSETT: I am not sure I understand the point. Could I go back to one point? A minute ago you attributed a statement to me to the effect that I was the one who stated that income after retirement should bear some relationship—

Mr. CASHIN: I asked you that at the outset and you agreed.

Mr. DOWSETT: I would like to make it clear that that is the whole point of the Canada Pension Plan as designed. It is not alone my feeling. It is the feeling inherent in the whole Canada Pension Plan.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are you finished, Mr. Cashin?

Mr. CASHIN: Yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes, Mr. Lloyd.

Mr. LLOYD: Mr. Dowsett, do you recognize that there is a need to provide an opportunity for pensions to approximately 50 to 60 per cent of wage earners in Canada who are not presently covered? Well, some say 70. I am putting it a little lower; I am putting the figure a little lower just in case.

Mr. DOWSETT: Could you repeat the question?

Mr. LLOYD: Perhaps, I will start it another way. Do you agree that between 50 and 60 per cent, and some say 70 per cent, but between 50 and 60 per cent of wage earners in Canada do not have the opportunity to purchase a pension scheme for themselves?

Mr. DOWSETT: Yes, I realize this.

Mr. LLOYD: You agree with this?

Mr. DOWSETT: One of my deep concerns with the Canada Pension Plan is that under a fully matured Canada Pension Plan—perhaps 35 years from now—what will be the percentage then of the labour force which, under the Canada Pension Plan, will be able to look forward to substantial Canada Pension Plan benefits now?

Would it be as high as 60 per cent of the labour force? The statistics, I think, could be examined and we could get a more accurate figure than my guess of 60 per cent, but we speak of the large and painful gaps in our pension provision in Canada today, and the disturbing thing in my mind is that the Canada Pension Plan is not going to create substantial extra benefits for a great percentage, perhaps as high as 40 per cent, of the labour force some 35 years from now.

Mr. LLOYD: Why do you say that?

Mr. DOWSETT: Well, all the young ladies who are employed for four or five or eight or nine years of their working lifetime will generate a very, very small Canada Pension Plan benefit. Those are the people I am speaking of, and all those who make less than $600 a year.

Mr. LLOYD: So then, if this is correct, it is right for the Government to become directly involved in the problem, is it not?

Mr. DOWSETT: I am not admitting that. I am sorry. It is correct for them to get involved in what problem?

Mr. LLOYD: I think you said that there is a need for more statistics, did you not? One has to start where there is a need and start improving as he goes along. What is wrong with the Government doing that?

Mr. DOWSETT: I am questioning the implementation of a pension plan in terms of the contributory private secretary type of pension plan. It just does not do the job from a social point of view that, for instance, the O.A.S. does. The old age security type of treatment of the problem is far superior.

It is a far more adequate system.

Mr. LLOYD: But are you not trying to leave unanswered this very serious question of how far to go with flat benefits as against wage related pension funds? Where do you draw the line?

Mr. DOWSETT: What are we looking for? What did we adopt any kind of pension plan for? In order to provide retirement income. Is that not right? Why have we got O.A.S. benefits?

Mr. LLOYD: You used the term that it is inadequate. I don't think we have said that the old age security pension plan is adequate to meet a standard of need. It is a contribution towards overcoming the difficulties people are in. It is not adequate. Do you think anybody has said it is fully adequate?

Mr. DOWSETT: I have not said that it is.

Mr. LLOYD: Well, it is not.

Mr. DOWSETT: I think the inadequacy of it should be examined and the problem solved through extensions of this plan. Perhaps we would get rid of the inadequacy and there would be a solution of the problem.

What I am getting at is a very unsatisfactory solution to the additional problem we have, which is not met by the O.A.S.—getting into an unsatisfactory solution to that, which is this contributory type of pension plan where

you try to give back to somebody something that is somehow in relation to his contributions.

Mr. LLOYD: Well, how else would we fill this 60 per cent gap?

Mr. DOWSETT: The Canada Pension Plan, I feel, is only going to take you from perhaps 30 to 60 per cent, and that is pretty inadequate in my view, and it takes 35 years to get to that extra 30 per cent position.

Mr. LLOYD: You mean that they will be partially covered. All those who are wage earners above $600 will be covered in increasing amounts, won't they?

Mr. DOWSETT: By picking an amount from the women in the employment market for very short periods, the amounts would be so small that they would not be worth talking about. And what about the people who have never attached themselves to the labour force? They are a deep concern of mine.

Mr. LLOYD: Is this not an argument, Mr. Dowsett, for having in Canada an old age assistance program which meets certain kinds of problems and having a Canada pension plan which fills a gap between that and what the private pension plans on a fully funded basis have been able to provide? What is wrong with this threefold pattern?

Mr. DOWSETT: I do not see the reason for adopting on a governmental basis a contributory scheme. Why must we have a contributory scheme which does not work when operated under social auspices?

Mr. LLOYD: Terms can confuse the issue. Language seems to be the difficulty, and perhaps I am to blame for this. Let me get back to this matter of funding, or contributory schemes. How do we finance the Old Age Security?

Mr. DOWSETT: Through the 2:3:3 formula.

Mr. LLOYD: Yes, corporation tax, sales tax and income tax?

Mr. DOWSETT: That is right.

Mr. LLOYD: You say we should continue to improve the Old Age Assistance program through that?

Mr. DOWSETT: It is Old Age Security.

Mr. LLOYD: All right; Old Age Security. We should continue to improve it through that?

Mr. DOWSETT: Yes, through that approach.

Mr. LLOYD: It is all right, then, to contemplate filling the gap through old age security, and this would mean that, generally speaking, the private funds would pretty well stay within the sector in which they are operating now.

Mr. DOWSETT: The private funds—the private pension plans?

Mr. LLOYD: I gather that you are suggesting this gap would be filled in the main by improvements to the O.A.S.?

Mr. DOWSETT: Yes, as far as these studies I have suggested would indicate the need.

Mr. LLOYD: I do not want to take up too much time, because there are others here with questions. I ask only this one final question: Would you advocate then that the Canada Pension Plan, if we go on with it and we cannot agree with you on other points—supposing we came down to this one point, the question of financing. Would you finance it on a funded basis, a fully funded basis, or on a pay-as-you-go basis?

Mr. DOWSETT: I would submit that any pension plan operated under public auspices with the Government running it should be on a pay-as-you-go basis.

Mr. LLOYD: It should be on a pay-as-you-go basis?

Mr. DOWSETT: And it should be as adequate as possible.

Mr. LLOYD: Can you give us a formula for measuring adequacy?

Mr. DOWSETT: The early part of my brief tried to bring out my feelings on this point. The moment you adopt a funded approach to a federal pension plan you are diverting contributions raised in the name of the plan away from benefits and into some other program, and to that extent it will probably not be adequate.

Mr. LLOYD: Finally, you stated you favour a pay-as-you-go plan for a Government plan. Are you aware that a Mr. Watson who appeared before this committee advocated a fully funded Canada pension plan?

Mr. DOWSETT: I am not aware that he advocated a fully funded plan. I question that he did.

Mr. LLOYD: The minutes will show whether I am right. Perhaps I am wrong, but I do not think I am.

Mr. DOWSETT: Do you feel he advocated a fully funded public pension plan?

Mr. LLOYD: Yes, a fully funded Canada pension plan. I think you are associated with him in the same company, are you not?

Mr. DOWSETT: I know he was here, but I did not read his brief.

Mr. LLOYD: You are not aware of this difference of opinion?

Mr. DOWSETT: I am wondering whether he has—I do not want to be in a position of trying to second-guess Mr. Watson. We had better let the record indicate what he means.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes, I think so.

Mr. KNOWLES: But the record will not show that design he gave us—the one with the two legs.

Mr. DOWSETT: I have seen the charts, and the one building was to indicate the flat level benefit, and the other the Canada Pension Plan, and the two could not exist without each other. I made that point here, too, that the Canada Pension Plan cannot exist without O.A.S. The two must be considered together in determining the retirement income problems of Canada.

Mr. MACALUSO: In paragraph (d) on page 3 of your brief you seem to suggest that cross-subsidies are not a feature of a contributory plan. Is my interpretation of your remarks there correct?

Mr. DOWSETT: Can you repeat the question? I have found the place now.

Mr. MACALUSO: I am referring to paragraph (d) on page 3.

Mr. DOWSETT: I have the place, yes?

Mr. MACALUSO: You seem to suggest that cross-subsidies are not a feature of a contributory plan. Is my interpretation correct?

Mr. DOWSETT: In my understanding of a true contributory plan where equity is an ideal that is sought after, there are no across-subsidies. In a fully contributory plan, where equity is the ideal—where, in effect, a contributor gets back benefits exactly equivalent to the contributions he makes—

Mr. MACALUSO: Are you, therefore, suggesting that there are no cross-subsidies in private life insurance or private pension plans?

Mr. DOWSETT: There are no cross-subsidies between whom?

Mr. MACALUSO: In any pension plan?

Mr. DOWSETT: Between whom?

Mr. MACALUSO: In a private pension plan itself?

Mr. DOWSETT: But cross-subsidies between whom?

Mr. MACALUSO: Between the various contributors—the employer and the employee?

Mr. DOWSETT: This is the point. In a private pension plan there is the employer. In a public pension plan there is no employer.

Mr. MACALUSO: But there are contributors. Are there no subsidies in private plans between the contributors?

Mr. DOWSETT: In private pension plans there is not a subsidy from one contributing employee to another contributing employee. The employer is contributing to both employees, and he may contribute, in effect, to one employee to a greater extent than to another, but that is one of the happy things in the employer-employee contributory plan.

Mr. MACALUSO: Then, you are saying, in effect, that there are cross-subsidies in private pension plans?

Mr. DOWSETT: No, I have not said that; I am sorry.

Mr. MACALUSO: You have not?

Mr. DOWSETT: No.

Mr. MACALUSO: Then, I disagree with you. In paragraph (e) on page 3 you suggest that it may be very difficult for future governments to reduce benefits under this program. Can you think of any circumstances under which, from the point of view of beneficiaries, benefits in the future ought to be diminished?

Mr. DOWSETT: Well, perhaps I could put this better in a different way. When I read through that part of this page I did not put through reduction for benefits. What I am really thinking of here is that in a contributory plan both contributors feel they are making certain contributions, and that they are going to get back certain benefits, and the formula has been laid out for them. They are happy that the benefits they are going to receive back have a greater value than the contributions they have made. Let us assume the years go by, and then because of the operation of the plan it is necessary to increase the contribution rates. At this point the workers of the day who are asked to pay the increased contribution rates will not be happy unless they get an increase in benefit formula at the same time. I quite agree with you. I really do not think that we will be talking about a reduction in benefits. What we will try to impose is a reduction in the favourable relationship benefit to the contributor. In other words, if we get to the point of trying to increase the contribution without increasing the benefit formula we will be in trouble when it is a contributory plan.

Mr. MACALUSO: If you are really talking about the funding aspect of it—

Mr. DOWSETT: No, I am not talking about the funding aspect of it. I am talking about the benefit level and the contribution level.

Mr. MACALUSO: You are talking about what another witness called the windfalls.

Mr. DOWSETT: No, I am not talking about windfalls. I am talking about the snowballing effect that can occur in a contributory plan. Do you understand what I mean when I say—

Hon. Mr. CROLL: None of us do.

Mr. MONTEITH: Well, I do.

Mr. MACALUSO: I would like the witness to explain this snowballing effect. I am not a chartered accountant as Mr. Monteith is, so perhaps I am a little more stupid than he is.

Mr. MONTEITH: It is plain language.

Mr. DOWSETT: When a contributory plan is adopted and the workers of the day are told they are going to contribute 1.8 per cent of certain contributory earnings, and a 20 year old starts contributing at this level he looks forward to a certain benefit being paid to him at age 65 out of, let us say, the Canada Pension Plan. 20 years go by and he is still contributing 1.8 per cent, and he is still looking forward to that benefit. In those 20 years he has got pretty straight in his own head what this formula is going to yield to him. This is a contributory program, and he feels strongly that he is going to get back benefits which are proportionate to his contributions. 20 years go by, and then somebody says: "Oh, gee, we have got to increase the contribution rates to 2.2 per cent or 2.5 per cent". This worker then thinks to himself: "Gee whiz, I am not going to get the same good benefit for my 1.8 per cent. I am going to get the same old benefit, only I am going to start paying 2.5 per cent now". Do you not agree with that?

Mr. MACALUSO: I do not agree with it.

Mr. DOWSETT: What is going to happen when you increase the contribution rates? I thank that to sum up that particular problem the benefit formula would be increased at that time, so that you increase the benefits and contribution rates and you generate more income to look after the plan needs of the day. This 20-year old is still only 40 then, and he has to contribute for another 25 years, 2.2 per cent. Do you not think he is going to want to have an improved benefit formula when his taxes are increased from 1.8 to 2.2?

Mr. MACALUSO: I will look into that further, Mr. Dowsett, and come back to it.

Mr. DOWSETT: I ask you if I have made my point clear?

Mr. MACALUSO: I will come back to it later. It is not clear.

Mr. CÔTÉ (*Longueuil*): Supposing that in 20 to 25 years we have to increase the contribution because there might be less fund at that time, would you think that the people who are going to contribute at that time, when you make that increase, would get less benefits in comparison with the first contributions that were made? Then, would you think we should make a higher contribution rate then?

Mr. DOWSETT: To answer your question I have to go back to my basic conclusions. The solution to the problem is to eliminate the contributory aspect from the Canada Pension Plan.

Mr. FRANCIS: Then increase general taxes. They would have to be raised from time to time as needed.

Mr. DOWSETT: To cover the actual needs we have for increased retirement income, as at present.

Mr. CÔTÉ (*Longueuil*): Then we can assume that you are against an increase?

Mr. DOWSETT: I am not against some form of increased benefits. It is the contributory aspect of the Canada Pension Plan that I am against.

Mr. MACALUSO: In relation to paragraph 3 on page 5 of your brief, you say that the pension plan will not provide incomes in excess of the old age security benefits for persons now over age 69 and that this is a fault. Will you tell us if you know of any social benefit pension plans which are related to cover ages at the start of the program or the age population at the start of the program?

Mr. DOWSETT: I know of no such plan, but I do not know why we have to stick in the words "age related". I know of one benefit which was applied right off from the beginning, to the aged of the day, and that is the old age security plan we have now.

Mr. GRAY: Did the O.A.S. benefits scheme not involve very low subsidies to those people who began getting the pension as it went into effect, inasmuch as they could not possibly have contributed anything by way of old age security towards the fund?

Mr. DOWSETT: It was designed not on a wage related basis. It is an adequacy geared plan, where benefits are offered as a right, because citizens are citizens of Canada.

Mr. GRAY: The subsidy does not bother you if it comes out of the income tax?

Mr. DOWSETT: I do not like to think of it in terms of subsidy I pay income tax now and that $120 goes to pay for some O.A.S. benefits of today. The workers of today pay for the people who get the income under that plan.

Mr. GRAY: Is it not a fact that millions of people who retired at the time the system went into effect, or who retired shortly after that, contributed nothing, or very little, to the pension, and thereby everybody else was subsidizing them, and still is?

Mr. DOWSETT: This is a Government program. Defence is a Government program. Everybody contributes to that. The old people of today do not contribute to the defence programs of today, because they do not pay income tax now.

Mr. FRANCIS: Sales tax.

Mr. DOWSETT: Yes, but to the extent they do not pay any income tax they are not contributing to the defence program of today. Is this a cross subsidy?

Mr. GRAY: The whole system of taxation is subsidization.

Mr. MACALUSO: In paragraph 2 on page 9 you speak of "the awful problem of the ignored citizens". Do you suggest it is possible because at the commencement of one related social assistance program to cover the current period, you suggested age 69, that this should be a sufficient reason for not introducing a plan for the future benefit of those now working?

Mr. DOWSETT: I would answer that question by saying that we do not consider it a problem to deal with the current people receiving old age pensions.

Mr. MACALUSO: Do you believe that because the current aged under this plan are not taken care of we should not take account of the future people, who are to benefit in the future?

Mr. DOWSETT: Why take a half solution when you can take the whole?

Mr. MACALUSO: Then you agree we should not have a bill or plan as this bill C-136?

Mr. DOWSETT: You are putting it in the negative.

A MEMBER: You are subjecting him to political gobbledygook, to which he is not accustomed.

Mr. MACALUSO: Would you agree that the Canada Pension Plan has to provide future pensions for the aged of this country in an orderly fashion?

Mr. DOWSETT: Yes, I would agree it is an attempt at that.

Mr. MACALUSO: Then let me get back to my last question by saying this. Again I am referring to page 9, paragraph 2. You are stating that the plan is now ignoring the awful problem of the present aged, ignoring citizens. Are you suggesting by that, that because it is impossible at the commencement of a wage related pension plan, such as is proposed by this bill, to cover the current aged who would not be covered by this bill, that that would be a sufficient reason for not introducing this legislation?

Mr. DOWSETT: I would submit that is a sufficient reason for changing this legislation, so that it is not wage related and will look after the current aged of today. May I say, not contributory wage related, in the terms of the plan.

Mr. MACALUSO: I will pass the questioning on to someone else and come back later on.

Mr. FRANCIS: On page 10, paragraph 6, Mr. Dowsett talks about some anomalies. He says

> This seems anomalous when there is no attempt to increase the pensions of all non-contributors to reflect provincial variations in wage levels.

What does Mr. Dowsett have in mind?

Mr. DOWSETT: The point I have in mind—which I agree was not well documented in the brief as typed—is this. There is an attempt in the Canada Pension Plan to make some variation in O.A.S. benefits on a country-wide basis. I gather that this is to reflect changes in the subsistence level on a country-wide basis.

Mr. FRANCIS: Is there anything in the act which says that benefits are related to subsistence?

Mr. DOWSETT: I do not believe so, but can I ask if there is any other reason for changing O.A.S. benefits in relation to the cost?

Mr. FRANCIS: Now, Madam Chairman, I would like to ask Mr. Dowsett what he means. This is a piece of social legislation. Mr. Dowsett, I know you have many years of actuarial experience, but have you ever been an actuary to a social insurance plan, whether unemployment insurance or workmen's compensation or any other social insurance plans?

Mr. DOWSETT: No.

Mr. FRANCIS: It seems to me the purpose is very clear, to provide portable pensions for up to a certain ceiling on earnings, for wage earners. Do you have in mind, when you make the suggestion that it should "reflect provincial variations in wage levels", how it should be done? I would like to know more about it, as to how we can do it from here. There is a concept explicit in this whole paragraph, and this is in the last sentence in the paragraph, and I would like to know what you have in mind.

Mr. DOWSETT: As it says in this paragraph, the whole concept of Bill C-136 is geared to varying benefits. It is my understanding, and I believe I have read presentations by members of the Department of National Health and Welfare outlining the reasons for the varying benefits in the Canada Pension Plan, that is, to vary the income after retirement in accordance with the income earned during a working lifetime.

Mr. FRANCIS: I believe that is correct.

Mr. DOWSETT: My view is that social measures should be geared to providing income at a modest standard of living level. I think this is a view shared by everyone in this room. We do not want to provide tremendous incomes for people, in excess of their needs, through social legislation. The variations in Canada Pension Plan benefits in excess of O.A.S. are going to create differences in total social pensions which reflect differences in standards of living in the various areas of Canada. Is not this true?

Mr. FRANCIS: Yes.

Mr. DOWSETT: All I am trying to suggest is that we do this on a different basis.

Mr. FRANCIS: I would like to know, Madam Chairman, what different basis Mr. Dowsett has in mind. I would like him to be a little more explicit as to what the different basis would be.

Mr. DOWSETT: May I go back to the point on page 9 of the brief which states that a possible solution may be to increase old age security payments in the different parts of Canada by an amount which is based on the various different wage levels in those different parts of Canada.

Mr. FRANCIS: Madam Chairman, how would Mr. Dowsett vary old age security by social wage levels? Could he illustrate a little further the mechanism by which it could be done?

Mr. DOWSETT: I will start again and preface it by my hope that in suggesting this we will develop some statistics, as I mentioned before. Dr. Willard has made reference to some statistics that might direct us in this regard. My hope is that we will study those statistics, and from that point possibly develop some provincial indices—an index for each province to indicate possibly "X" dollars for one province, "Y" dollars for another province.

Mr. BASFORD: May I ask a supplementary question? Is Mr. Dowsett aware that already many provinces have taken account of different levels by paying O.A.S. benefit assistance? In my own province, for instance, it is $24 a month.

Mr. DOWSETT: And this is on a means test basis, and available at what ages?

Mr. BASFORD: Sixty-five for old age security.

Mr. DOWSETT: From 65 to 69?

Mr. BASFORD: No, from 65 on.

Mr. FRANCIS: Not only the pension, but health services, medical care, for example.

Mr. DOWSETT: But this is on a means test basis.

Mr. BASFORD: On a needs test basis.

Mr. DOWSETT: I am sorry, on a needs test basis. Is this such a bad thing?

Mr. BASFORD: No, it is not. I do not want to take over from Mr. Francis, Madam Chairman; but I am asking you, Mr. Dowsett, whether you are aware of this, because you are saying that pensions have to be related to different regional costs, and I have said that provinces already have taken this into account to a certain extent.

Mr. DOWSETT: I was speaking of up to 69 years of age. I was not sure about beyond age 70.

Mr. BASFORD: Do you say there should be a dozen kinds of different benefits—different amounts of benefit? If you divide by provinces, there would be perhaps ten rates of contributions, because one province is poorer than another.

Mr. DOWSETT: Ten rates of taxes. There would be variations in the income tax base, which is now $3,000 for old age security.

Mr. MONTEITH: There have been many supplementaries put, Madam Chairman, and I have refrained, hoping to get around to it myself, but in this respect Mr. Dowsett gives evidence as to what he is suggesting. I understand he is doing that on the supposition, and on the belief, that the Canada Pension Plan does actually give varying benefits in different parts of Canada. Am I right in that?

Mr. DOWSETT: Yes, sir, to different individuals.

Mr. MONTEITH: It is only on that basis, in his belief, that the Canada Pension Plan does this that he has given that suggestion?

Mr. DOWSETT: Yes. There is an attempt in the Canada Pension Plan to make these different variations, and I am suggesting a different way of making the different variations, so that we can follow my hope of eliminating the contributory aspect.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Francis has the floor for questioning, and if there are supplementary questions, could they not wait until he has finished his questioning and the answers have been given?

Mr. FRANCIS: I want to explore this so that there will be no misunderstanding of what Mr. Dowsett is suggesting. He is suggesting an alternative to the Canada Pension Plan, I believe, and the Canada Pension Plan plus the kind of supplementations which Mr. Basford has drawn to the attention of the committee, which is not only supplementation in terms of income—and I suggest a needs rather than a means test, and there is a difference—there is also supplementation in terms of health services, which are not universal in every province, but most provinces do provide them. Is it correct that Mr. Dowsett has in mind, instead of this existing arrangement, substituting a provincial wage index, or a cost of living index, I am not sure which, for each province, and gearing it to a supplementary benefit on old age security which would be payable in each province, and be a different rate from province to province across Canada. Is this what he is suggesting to the committee?

Mr. DOWSETT: Yes.

Mr. FRANCIS: Do you see any political difficulties, supposing the representative of one province suggests that perhaps the calculation was not quite right for them compared to another province?

Mr. DOWSETT: I do; but I fail to see why the Members of Parliament do not see the same difficulties in the Canada Pension Plan variations, which call for a similar reversal.

Mr. FRANCIS: Surely there is a clear principle in the Canada Pension Plan which relates to previous earnings? I am very much concerned about adjustment of the basic old age security legislation. I think what the Canada Pension Plan does is to provide a supplement which is related to a principle, and I trust this will not be sharply changed in the close proximity of elections.

Mr. DOWSETT: May I ask what principle that is? Do you refer to the contributory pension?

Mr. FRANCIS: Yes.

Mr. DOWSETT: And yet has it not been established in this committee that the contributory principle is being abrogated in the Canada Pension Plan? It is an aspect, but there are tremendous cross subsidies. It is not fully contributory in the sense that some persons now 55 years of age will get tremendous benefits out of the plan in relation to their own contributions, and from age 25 far less of a multiple of benefit contributions in the way of benefits.

Mr. FRANCIS: May I ask Mr. Dowsett, if an employer adopts a plan for the first time, is it not usual for him to make past service contributions for employees of 55 years of age and older in order for them to get adequate pensions when they retire, and under a private cross-subsidy.

Mr. DOWSETT: I do not believe it has the same effect. In a public plan there is no employer; there are only employees, if you like.

Mr. FRANCIS: Well, there is an employer's contribution.

Mr. DOWSETT: What is it?

Mr. FRANCIS: The same as employees, that is, 1.8.

Mr. MONTEITH: Yes, 1.8.

Mr. DOWSETT: On behalf of exactly the same people, in exactly the same province. There is no cross-subsidy in the Canada Pension Plan as between the employer.

Mr. FRANCIS: I do not agree with this. However, I will not pursue the point. I have one other question, and this relates to the statement of Mr. Dowsett in his brief, on page 3, in which he said that the long-term combined tax requirements of the Canada Pension Plan and the old age security program could prove to be a stifling burden for Canada.

I would like to quote from the report of the Economic Council of Canada's first annual review, which has recently been made available, at pages 129 to 131:

> . . . by 1970 the annual contribution income of the plans (based upon the rate provisions outlined in the federal government White Paper) would amount to slightly more than 5 per cent of total gross private saving. This would be somewhat more than 1 per cent of the gross national product.

Well, this is the Canada Pension Plan we are talking about. Does Mr. Dowsett believe that this, on the basis of this kind of information, would be a stifling burden for Canada?

Mr. DOWSETT: I would submit, Mr. Francis, that you have looked ahead six years, in your comment there.

Mr. FRANCIS: I have simply quoted from the report of the Economic Council.

Mr. DOWSETT: Then they have looked ahead for six years. I have looked out to 1980 and the year 2000, and I am concerned about the effects on Canada in the year 2000. We would be starting something with this Canada Pension Plan which would be a big problem 25 years from now, in my view. The Economic Council in its report did not deal with the situation 25 years from now.

Mr. FRANCIS: One last question. Will the problem not be less if Canada continues to grow in population and income? Will not the problem be less serious if there is sustained growth in the Canadian economy than you have projected in your remarks? In other words, don't we have to assume something like stagnation or ceasing rates of growth of Canada for this burden to be as serious as you, Mr. Dowsett, indicated?

Mr. DOWSETT: May I ask if it would be considered a rate of 14.70 per cent contributory earnings for combined cost of the Canada Pension Plan and the O.A.S. benefits would be a stifling burden? In coming up with that figure I have assumed 3 per cent annual rate of increase in earnings.

Mr. FRANCIS: What rate of interest is assumed on the investment funds in this projection?

Mr. DOWSETT: It is in common with the actuary's forecasts that there is not interest. These are pay-as-you-go rates.

Hon. Mr. CROLL: Mr. Dowsett, I have read your history and see that you have graduated from university and are a Fellow of the Society of Actuaries. I realize you are aware of the fact that the bill now before us has had the unanimous consent of the members of Parliament, of the House of Commons, to second reading, adoption in principle?

Mr. DOWSETT: Yes.

Hon. Mr. CROLL: I was not quite clear what you were really thinking when you told us here in your summation we were politically smart and not forthright. Those are your words? If you didn't say them, forget the whole thing. I am either right or wrong.

Mr. DOWSETT: Yes, I said the words. May I say this, the Canada Pension Plan is now in its third version. There will be changes, perhaps, before it is

passed finally. If there are not going to be any changes, I wonder if we are serving any useful purpose here?

Hon. Mr. CROLL: Who is suggesting there will not be any changes? Is that your suggestion?

Mr. DOWSETT: I was answering my own question.

Hon. Mr. CROLL: You ask yourself the question, a quite improper question to ask yourself.

Hon. Mr. THORVALDSON: He can ask himself.

Hon. Mr. CROLL: Just a moment, I am handling the witness for the time being. When you ask yourself a question for the purpose of answering it your own way—

Mr. KNOWLES: How these senators love each other.

Hon. Mr. CROLL: There is the same affection in the House of Commons. I am asking the questions, and then you answer them. You don't ask yourself questions here.

Mr. DOWSETT: All right, I will try to answer them.

Hon. Mr. CROLL: You go ahead.

Mr. DOWSETT: In the various versions of the Canada Pension Plan there was at one time, as you know, an approach which has been set aside now, as I have explained in my brief, on several counts, to create a partial fund. It is my hope some of the changes could be reversed, and in the final bill that is presented and passed perhaps there could be some changes made from the plan as it is described now in Bill C-136, reverting to a pay-as-you-go basis.

Hon. Mr. CROLL: I am sure there will be some changes in the plan. I do not know whether they will deal with what you have in mind, but it is not a fair suggestion to make—and I have only heard it once before this committee, and then I am not sure whether I heard it from a member of the committee or from anyone giving evidence—that we are here to make sure nothing happens to this bill and it must be passed in toto. No one has ever said that, and it does not become a witness to tell us it.

Mr. DOWSETT: I did not say that.

Hon. Mr. THORVALDSON: No, he did not say that.

Hon. Mr. CROLL: The question was asked only for that purpose. When you deal with the matter of information, what detailed information have you got or have you been able to research with respect to older Canadians over 70 years of age, as to what assets or pension rights they have?

Mr. DOWSETT: I have not been able to find those statistics, Senator Croll, and I have heard—or I have read, pardon me, of evidence given before this committee by Dr. Willard to the effect that he has seen some such statistics; and it is my thought this committee should try to see these statistics—the medium incomes to those aged over 65 in the various provinces, and with the urban versus renewal differences.

Hon. Mr. Croll: Mr. Dowsett, you are an actuary who comes before this committee for the purpose of asking us to make some changes—let us say in detail, never mind principle—some changes perhaps in detail, perhaps in principle. Don't you come here armed with some facts relating to what is most vital to us when we are talking about the inadequacy of what is available to people over 70 years, when, as a matter of fact, there are statistics available? They may not be complete, but there are statistics.

Mr. DOWSETT: I with I had them at my disposal. I do not. There is the Department of Health and Welfare, there is the Dominion Bureau of Statistics, and there are sources most readily available to this committee that are not available to me.

Hon. Mr. CROLL: Of course they are available to you, if you ask for them.

Mr. DOWSETT: Not as readily available. I am a private citizen.

Hon. Mr. CROLL: No, that is not really fair. I am sure this committee could call by telephone and receive the information, if they wanted it, this afternoon. You might have to write a letter, but they do not hold back.

Mr. DOWSETT: I beg to differ with you, senator. I did ask for some information at one point and it had not been released yet. That particularly is the case of the O.A.S. benefits expressed in terms of the contributions forecast under the Canada Pension Plan. They are not able to get this information. I know it has been asked for by Senator McCutcheon and Mr. Munro in this committee. Perhaps it is available to this committee.

Hon. Mr. CROLL: No, that information, if it is not available to you it is not available to us either. They are not holding back anything, but there is a wealth of information available from the Department of Health and Welfare and the D.B.S. All you have to do is pick up the December 10th hearing before the Committee on Aging, and the Department of Health and Welfare took about 200 pages to give information on old folks. All you had to do is pick it up and look at it.

Mr. DOWSETT: Could I suggest this committee should be examining these income needs in more detail?

Hon. Mr. CROLL: They are presenting this before this committee from time to time, and the information is before this committee. Dr. Willard has presented it.

Mr. DOWSETT: Not the detailed study he spoke of.

Hon. Mr. CROLL: Some of it was read in by Mr. Osborne before this committee a few days ago. My point is not that. Here, in reaching your conclusion, you come to us without information. Maybe it was not available to you. You come without information and you are saying that we cannot do this until such time as we have this information. How do you know that information will make necessary any changes? How could you tell?

Mr. DOWSETT: Senator Croll, it is my fervent hope this body would feel it was necessary to examine the income needs of our current aged before adopting a mammoth program like the Canada Pension Plan, which purports to solve the income needs of Canadians.

Hon. Mr. CROLL: They have come to the conclusion they are inadequate.

Hon. Mr. THORVALDSON: Where are the figures? Have you presented them to this committee, or has Dr. Willard?

Hon. Mr. CROLL: If we need to present figures to the committee, or anyone in this country, that the needs for the aged are inadequate, we are a little bit behind the times and we are wasting time and losing ground, because it is so obvious, and that is the whole purpose of the act.

Mr. DOWSETT: Very true. I am not going to say it is obvious, in view of my previous remarks, but therein lies the burden of my plea. Let us do something about the current aged. This Canada Pension Plan will do nothing for Canada's current aged, nothing whatsoever.

Hon. Mr. CROLL: No one has said the current aged, as we put it, are going to be left out in the cold. Time and again it has been repeated by the responsible people in government who have said that the acceleration is one aspect of it, but that is not the total approach, that there will be improvements from time to time for the older people, and whatever else may come I do not know and I cannot tell you, but it cannot come under this plan.

Mr. DOWSETT: I question why it cannot. Why are we trying to forecast the future with respect to some of the citizens of Canada and deal with them completely, and not with others?

Hon. Mr. CROLL: Because that plan which you love so much, which we adopted in 1952, had a cut-off date and said, "If you are 70 today, $40; and if you are 71, 70 plus a day, nothing for you." That is what it said at that time.

Mr. DOWSETT: I beg your pardon?

Mr. KNOWLES: No, everybody over 70.

Hon. Mr. CROLL: Sixty-nine a day before.

Mr. DOWSETT: If you are 69 you have to wait another year.

Hon. Mr. CROLL: We had to have a cut-off date, even if the need was there. At that time thousands of people who had never contributed to that at all drew, and that was the general intention, that they should draw from that fund, which was a clear subsidy. We had to take a cut-off date and a starting date here somehow, and we chose to do it in this way, thinking this would be the very best way. That is a matter of judgment, and in that respect the decision has been at least presented to us for consideration. And it is as simple as that.

Mr. DOWSETT: That is why I am here, sir, because I don't feel that it is correct to ignore the current Canadian issue.

Hon. Mr. CROLL: That is fine, but when it comes to the matter of ignoring the current Canadian, I have had two or three people sitting in your place talking about us ignoring the current Canadian—and those were new words coming from those people. We do not bow to you or to anybody else in our considerations.

Mr. MONTEITH: I guess you would not bow to me either, but I agree with that.

Mr. LEBOE: We are getting away from the matter—

The CHAIRMAN (*Hon. Mrs. Fergusson*): I think we are getting away from the point. I think we know the witness' opinion on this matter and we know Senator Croll's views. Are there any other questions, senator?

Hon. Mr. CROLL: I will let Mr. Leboe—

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Basford is next on the list.

Hon. Mr. THORVALDSON: I would like to speak on a question of order. I am not here to listen to witnesses being browbeaten as has been attempted on this witness. I think it is highly improper, and when he is asked questions he should be allowed to answer them and his answers should not be broken into, and so on. I think he should be treated fairly and with courtesy by the members.

Mr. MONTEITH: Hear, hear.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I don't think he has been treated unfairly, but I will see to it that he is fairly treated.

Hon. Mr. CROLL: On a question of privilege, I don't intend to take from the senator any such observations of his. The witness came here referring to the members of this committee as being politically smart and not forthright.

Hon. Mr. THORVALDSON: That is not right.

Hon. Mr. CROLL: That is the statement he made. That is what he stated and he admitted to it. It is in his brief.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes. It is in here.

Mr. DOWSETT: It is not referring to the members of this committee.

Hon. Mr. CROLL: I gave him every opportunity to withdraw it, but—

Mr. DOWSETT: I beg your pardon—

Hon. Mr. CROLL: I said if you did not say it then forget about it, and you did not.

Mr. DOWSETT: I did not label the members of this committee.

Hon. Mr. CROLL: What else? I then continued with the witness and I am not going to take lessons from the senator because he does not like the way the examination proceeds, and does not share my view. Whatever view he has, he can examine in his own way.

Hon. Mr. THORVALDSON: The examination you were making was entirely improper and I did not like it.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I disagree with you, Senator Thorvaldson. The witness has made certain statements and he should be able to be questioned upon them. That is why he came here.

Mr. KNOWLES: He is not objecting.

The CHAIRMAN (*Hon. Mrs. Fergusson*): That is quite right. The witness himself has not objected, and I think he cannot say that he has been browbeaten. Senator Croll, have you any other questions?

Hon. Mr. CROLL: No questions. Go ahead.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Basford.

Mr. BASFORD: You say in your brief, Mr. Dowsett, that you are not here representing the Crown Life Insurance Company or any insurance industry trade association, but you are representing them as a Canadian citizen concerned about the future of Canada and the environment in which "my children will live and work."

While we appreciate your coming and expressing your views, I do want to avoid the implication in that statement and assure you that the members in this committee and the members of the Government and their advisers are also Canadian citizens concerned about the future of Canada and the conditions under which our children will live and work.

Now, if you are implying that we are not, then I, of course, have to disagree with you.

Mr. DOWSETT: I am certainly not implying that. I am trying to get across the point that I am concerned about it too, and that is why I am here.

Mr. BASFORD: I was interested in a question Mr. Francis asked you, and I would like to know your professional experience.

Mr. DOWSETT: My professional experience?

Mr. BASFORD: Yes.

Mr. DOWSETT: I have been an actuary since 1954, and I have been employed in various actuarial positions with the Crown Life Insurance Company, and as secretary of the Canadian Association of Actuaries, and I have been on many committees of that association.

Mr. BASFORD: How many actuaries does the Crown Life employ?

Mr. DOWSETT: Nineteen, I believe, including full Fellows and Associates.

Mr. BASFORD: You are one of 19 actuaries, then?

Mr. DOWSETT: Yes.

Mr. BASFORD: You make the statement that it is "my belief that actuaries —trained as they are in the various co-operative risk-sharing programs involving contingencies of life—have a good understanding of the considerations involved in social pension planning, and also have a measure of social responsibility to speak out on Government pension proposals."

Now, I am wondering whether you have been an adviser to any government, national or provincial, or a forum on any social insurance schemes; whether you have worked with any committees or commissions of the United Nations or international labour offices on social science programs?

Mr. DOWSETT: No, I have not. I am stating my belief that actuaries should speak out on these matters through the presentation of this brief to this committee.

Mr. BASFORD: So it is on the basis of your being an actuary, or on your professional experience; and I don't call into question the soundness of your actuarial experience, but I don't think you have had any particular experience to comment on the social responsibilities of Government.

Mr. DOWSETT: Only in so far as I have studied social pension planning and the various approaches in funding, in benefit formulae, and I did this in the course of my studies to become a Fellow of the Society of Actuaries, and, as I indicated, in 1954 when I was deeply involved in studying these different programs, I was quite proud to be a Canadian where we had an effective pay-as-you-go O.A.S. system in operation.

Mr. BASFORD: But professionally you have had no real occasion to put these studies into practice though, have you?

Mr. DOWSETT: I don't understand the question, really, I am afraid.

Mr. BASFORD: Professionally, you have not been an adviser to anyone on social insurance schemes?

Mr. DOWSETT: I guess this is true, yes.

Mr. BASFORD: Now, you were concerned, according to your brief, about the present aged. I don't know whether you have had a chance to read their brief or not, and the proceedings are not yet published, but the Canadian Welfare Council, which is a very authoritative and knowledgeable body, and one very concerned with the welfare of Canadians and the conditions under which they are living, came before us the other day and approved in principle the passage of Bill C-136 and recommended its passage. I wonder if you would care to comment on this?

Mr. DOWSETT: I have no comment.

Mr. BASFORD: Well, as I said, this rather authoritative body would seem to differ with you markedly.

Mr. DOWSETT: I guess that goes without saying. I am suggesting that we eliminate the contributory principle and revert to a pay-as-you-go system, and someone else suggests that we do not do that, then we disagree.

Mr. BASFORD: Well, that leaves the members of the committee in a quan- whether to follow your advice or the advice of the Canadian Welfare Council.

Mr. MONTEITH: Or the advice of the life officers association, and so on, and so forth. There were others.

Mr. KNOWLES: You can have them.

Mr. DOWSETT: May I make a comment? I am here giving my opinion. I am trying to be helpful. I am trying to help this august body, and I have the greatest admiration for it.

Mr. LLOYD: Hear, hear.

Mr. DOWSETT: I have examined the proceedings of this committee and others and I feel that it is no easy job to be a legislator faced with the job of preparing a report on this very complex legislation, and I am here trying to do my best to help, and it is my feeling that I have some expertise in this matter through my training. It may not be as great as the expertise that some who have had con-

siderable experience in advising on social pensions have. It is an opinion, and I give it for what it is worth. I am trying to be helpful to that extent.

Mr. BASFORD: And, as I said, we appreciate your coming—or, at least, I do —and your interest and work in preparing the brief, but I was saying that an organization such as the Canadian Welfare Council which is concerned about the lot of Canadians, and which is very knowledgeable on these matters, has recommended the passage of this bill. So, we, as members of the committee, are in somewhat of a quandary as to whether to follow their advice or yours. I would submit that their advice is the best.

Hon. Mr. THORVALDSON: Speak for yourself.

Mr. BASFORD: I should like to refer briefly to page 16 of your brief where you make the statement that there must be another way of achieving national portability. We are concerned with establishing a system of portable pensions in Canada—or, at least, I am. I think this is something that Canadian workers need very badly.

Mr. DOWSETT: That is right.

Mr. BASFORD: You do not approve of the method in Bill C-136. I take it from your brief that you throw up your arms and say that there must be another way. I would be interested in knowing what it is.

Mr. DOWSETT: I have suggested it in the other parts of this brief. The suggestion is to have extra benefits payable in the same manner as OAS benefits on a pay-as-you-go basis without the contributory principle. I have laid out my ideas here.

Mr. BASFORD: How does that achieve portability?

Mr. MONTEITH: It is completely portable.

Mr. DOWSETT: Yes, it is completely portable. There is no loss of benefit rights on transfer from one point to another.

Mr. BASFORD: What you are saying is that by doing away with the wage related contributory part of the plan portability is, therefore, no problem.

Mr. DOWSETT: That is right.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are you through, Mr. Basford?

Mr. BASFORD: Yes, there is nothing left to argue about.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Munro is the next on my list.

Mr. MUNRO: I have just two or three questions, Madam Chairman. Mr. Dowsett, I was interested in your suggestion that perhaps the Old Age Security Pension be raised in accordance with the cost of living, or some such announced index, in each province. If one province is higher than another that would result in increased benfits in that particular province. I wonder if you have considered what would be the case if that suggestion were adopted in, say, a province that had urban centres, and the ratio of rural areas to urban areas was far greater than that in another province. Would not the people who lived in the urban areas in the province with the great rural population be unduly prejudiced in relation to those who lived in the urban areas in another province?

Mr. DOWSETT: This implies, I gather, your feeling that the income needs are different in urban as opposed to rural communities?

Mr. MUNRO: Yes. I think you would agree that the average earnings in rural and urban areas are quite divergent?

Mr. DOWSETT: Yes, but the question I tried to bring out here was that I am not sure that the extra benefits needed in addition to O.A.S. benefits in order to establish a meeting of income needs and income payments—if those

additional benefits do differ, urban versus rural. Remember, this is in addition to the $75 per month.

Mr. MUNRO: Yes.

Mr. DOWSETT: I do not know which way it goes. I would very much like to see these figures.

Mr. MUNRO: I see. Well, assuming that the rural did have lower average earnings than the urban then this system would not result in any equity? The system you suggested would not result in any equity at all, would it, because I would think in the province that had urban areas and a much larger rural population than another province, the rural population would drag down the overall provincial wage level, and result in the persons in the particular urban area being prejudiced considerably in comparison to those in a province where the urban population was much higher than the rural population. Would you not agree with that?

Mr. DOWSETT: I am not sure that in terms of the suggested increases I am speaking of that is a result that would flow.

Mr. MUNRO: Another point I wanted to raise, Mr. Dowsett, is that you have a pay-as-you-go plan. You do not like the partial funded approach?

Mr. DOWSETT: That is right.

Mr. MUNRO: I have the brief of Mr. Watson from your company here, and he states in the latter half of the middle paragraph on page 5:

> I would think it would be much better if a rate of contribution was established which would guarantee the continuance of the plan for a much longer period than 20 years. Such a rate of contribution could be calculated by the Chief Actuary applying normal actuarial methods to the entire population as it now exists. I would estimate that such a calculation might product a result of approximately 2½%, instead of 1.8%. From the standpoint of equity, a higher rate of contribution now would be much more desirable than leaving this to a later generation.

He is talking not only of a funded approach, but a 2½% per cent contribution rate as compared to 1.8 per cent.

Mr. DOWSETT: May I ask: Was there any reference in there to the establishment of a fund?

Mr. MUNRO: Yes.

Mr. DOWSETT: I did not hear any in what you read.

Mr. MUNRO: Well, he is talking about the current pension plan. I think in another paragraph—this is on page 3—he refers to the fund. On page 3 there is this:

> However, in this plan, we know that the benefits are not fully funded and, therefore, whatever benefits are received by persons who are the early recipients of benefits under this plan, will far exceed the contributions they have made or their employer has made on their behalf...

In other words, he feels the lack of a fully funded approach is going to result in inequities.

Mr. DOWSETT: I do not understand how you can imply any reference to a fund in his remarks. He did not say that at all, from what you have read. He did not say there should be a fund.

Mr. MUNRO: Is it not clear, if he is recommending, as he suggests—he feels if a greater contribution were established that would guarantee continuance of the Canada Pension Plan for much longer than 20 years, it would be much better. He says he thinks that would be much better.

Mr. DOWSETT: Does he build this payment up into a fund?

Mr. MUNRO: No, he is talking about the Canada Pension Plan, and he says he would think it would be much better if a rate of contribution was established which would guarantee the continuance of the plan for a much longer period than 20 years.

Mr. DOWSETT: Did he say that the 2.5 per cent would be used to build up a fund?

A MEMBER: Yes.

Mr. DOWSETT: I did not hear that.

Mr. MUNRO: He has referred to the Canada Pension Plan as it is now drafted, which does not take into account those over 70. He is saying it would be much better, in his opinion, if there was a contribution rate established that would ensure the continuance of the fund beyond a 20-year period.

Mr. DOWSETT: May I make this point, that I think Mr. Watson's concern is for an increase in the contribution rate of 1.8 per cent going up to 2.5 per cent in the future. He is concerned that this will be a very serious defect in the Canada Pension Plan as it is now designed. It is better that we should start with 2.5 per cent from the word "Go", and not have the problem of increasing the rate later on, but I do not think that that means he is endorsing a fund.

Mr. MUNRO: It would result in a greater fund, would it not?

Mr. DOWSETT: But I do not think he says that is a desirable thing.

Mr. MUNRO: He seems to be recommending it.

Mr. DOWSETT: No, I beg to differ. I do not think he is recommending it.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Munro, I do not think it is quite fair to ask questions of Mr. Dowsett on Mr. Watson's brief. He says he has not seen it. It is up to the committee members to compare the two submissions and, if they do not agree, to decide which they are going to accept. I do not think we should cross-examine Mr. Dowsett on another brief that he has not seen.

Mr. MUNRO: I accept that ruling, Madam Chairman.

Still relating to the fund, Mr. Dowsett, at page 16 you are talking about combining a development fund tax with a social pension plan tax. You are referring to the fund that will be built up—this is the partial funded approach that you have talked about. You say:

> Combining a development fund tax with a social pension plan tax, and advertising the whole tax as a contribution to a pension plan may be politically smart...

I am not getting into this area that has already been questioned earlier, but you go into this question of building up a fund for the provinces to use. At page 15 you say:

> It is unreasonable for the Federal Government to adopt a massive federal program which may create unwieldy problems 20 years hence for the whole of Canada...

Now, why is it that you feel that the creation of this partial fund, which will result in making funds available to the provinces, is something to be avoided?

Mr. DOWSETT: Why do I feel the fund is something to be avoided?

Mr. MUNRO: No, the direction of where the funds will go—namely, the provinces. Why do you feel this is undesirable?

Mr. DOWSETT: I think the establishment of a fund is bad. I do not like that aspect, and I have understood it is the feeling of several members of the

federal Government that it is not a good thing, and that it was just worked out as a matter of compromise; that some of the provincial governments wanted to establish a fund for provincial development purposes. I put this right in my brief, I believe.

Mr. MUNRO: Well, at page 16, Mr. Dowsett, you do say, in paragraph 14:

> By hiding a provincial development fund tax within the framework of the Canada Pension Plan, it is possible that the provincial and federal governments together might avoid the criticisms that would be forthcoming were the tax to be imposed directly...

Mr. DOWSETT: Were the provincial development tax to be imposed directly.

Mr. MUNRO: Do you feel there is something undesirable about having options in this partial fund scheme? Do you feel it is undesirable to have it for a provincial fund?

Mr. DOWSETT: No. I think it is undesirable to have a fund. I do not think it is desirable to use the vehicle of the Canada Pension Plan to build up a fund. I have the quote here from Miss LaMarsh, that she admitted to this committee that the Quebec view has always been a double view, that they wanted to create a plan to provide income for the aged and at the same time they wanted to build up this fund for development of the province under the Quebec plan. I think that the two ideas should be divorced. I think that the development of a fund is something quite unnatural for a social benefit plan. There is no natural relationship between a fund that is built up in the contributions and the benefit levels.

Mr. MUNRO: Given the Canada Pension Plan and given the fact that there would be a fund, be it partial or full, have you any objection to these funds being used for provincial development, to being used by the province?

Mr. DOWSETT: Given the fact that there is going to be a fund, no.

Mr. KNOWLES: May I say to Mr. Dowsett that I have some questions that are critical, I admit that. Therefore may I start by making a comment on something in the brief with which I agree. As a matter of fact, it is in the area that Mr. Munro has just been discussing with you, Mr. Dowsett. You used some words that gave offence to some of the members. I will not spoil the argument by quoting those words. Perhaps they are the kind of words we should use about each other, rather than that an outsider should use them about us.

I must say I do agree—and I said this in the house when we were discussing this whole measure—that it is not a good idea to raise money for a development fund under the guise of a contribution for a pension plan. I think this is the wrong way to go about it. I think also that it forces the people with incomes below $5,000 to make the contributions to the development fund, whether it is used federally or provincially. I favour a development fund, a very sizeable fund, but I think it should be raised for that purpose and that the taxes or the contributions for it should be clearly marked for that purpose and should be on a graduated basis.

Mr. DOWSETT: May I ask, sir, did you say that I disagreed with the thesis of the establishment of a development fund?

Mr. KNOWLES: I thought you said you were against it, the fund—period.

Mr. DOWSETT: No. My point is that I am against a combination of a fund with the social pension plan. I do not just want to be reported as being against a development fund. I am not sure that I am in favour of a provincial development fund, but I am not expressing a view on that.

Mr. KNOWLES: I express the view that we should have a development fund, but I think the contributions should be collected under that heading and not under the guise of a contribution towards a pension plan.

Mr. BASFORD: Madam Chairman, I thought we were questioning the witness.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I know. I was going to say this but thought I should let it ride. Actually, we were asking questions of the witness as to what his views are, and not making statements of our own.

Mr. KNOWLES: It is in relation to what I wish to get out of the witness. Mr. Dowsett, I wonder if you can make your position a little more clear as to what you want to do for those who are now 70 and over and have only $75 a month, and what you want to do in the future for those who will become 70 and who, under present legislation, have only the $75 a month? The reason I ask this question is because, quite frankly, I do not think your brief makes your position clear. You express concern for the forgotten generation, the people who have been ignored, but on the other hand you say that you do not know of any assessment of their needs. At no point do you propose any substantial alternative to the Canada Pension Plan. You talk about increasing old age security on a variation as among provinces, but you do not give any figure. You do not tell us whether you are talking of $10 a month or $75 a month as an increase. You so often express your concern about not providing extra money for people who do not need it. This is a view that seems to be expressed fairly often by witnesses before us. We know you are against the contributory insurance plan that is before us in Bill C-136. You have said you are concerned about the people who are forgotten and are concerned about increasing pensions. What is the merit of that concern? What alternative would you ask us to bring in to Bill C-136?

Mr. DOWSETT: In answer, the first suggestion I have is that more detailed statistics should be made available, setting forth the distribution and the numbers of old Canadians now receiving less than adequate income. I do not feel that there has been an attempt, a real hard attempt at developing those statistics and presenting them to this committee for their consideration. I feel that the adequacy of the Canada Pension Plan proposals should be tested against those statistics. Out of that, I would hope that there would come a suggestion that there would be an increase in the O.A.S. type of benefit, on varying bases through different parts of Canada. On an immediate basis, if you like, the benefits should be available for the aged in Canada of today, as well as for the aged to the future. As to the extent of this benefit, you ask if it may be $10 or $25 or something like that. Someone may suggest income figures in this area. I would think that that would be a matter to be settled upon after examination of those statistics. I strongly feel that we are adopting a mammoth program in here, if we should adopt it, without knowing whether it is going to solve problems that Canada has today.

Senator Croll has mentioned that other steps will be taken for the people who are not handled by the Canada Pension Plan, should the plan be adopted. I would bring those people into the planning at this point as well. I wish I had a more specific proposal to make in terms of dollars for various different areas. I have not had the opportunity to develop a plan in such detail. I feel that these statistics that I suggest should be studied more closely and out of that, and a testing of the Canada Pension Plan benefits against those statistics, the adequacy of the Canada Pension Plan, there would come a proposal that would more fully meet the needs of Canada.

Mr. KNOWLES: I wonder if you are aware of the fact that there is a difference of approach between the position you take, referring so often, as you do, to the needs of our aged people, and our approach, which admittedly does not wait for statistics as to what Mr. Smith, Mr. Brown and Mr. Jones need, but which frankly says that in this day and age we should be making a massive increase in the amount of income that we provide for retired people; and that what we are doing in going into the insurance principle is trying to up old

age income by an impressive amount, not just sufficient to meet needs here and there. Is not that the difference that there is between your approach and the approach involved in this kind of legislation?

Mr. DOWSETT: I guess, if that is the approach, there is an attempt, I gather, on the part of legislators then to make a massive entry into this provision of retirement income, regardless of need. I do not think that is a proper role of government, to try to establish savings programs and retirement income, regardless of need. Surely the social program which should be dealt with by the Government and by legislators is the one of need. Surely the guiding principle in social benefit planning is adequacy, adequacy of the incomes of the people that we have in Canada today, not equity, not savings for savings sake, but adequacy?

Mr. KNOWLES: I think, Madam Chairman, if I may say so, this exchange has been useful, at least as I see the situation. I think we are trying to get around a corner here that it has taken us a long time to get around. I think your approach, Mr. Dowsett, is still one that is based on a means test. Basically you want statistics as to the needs of our people. Some of us are saying that in this affluent society in which productivity has gone way up, we should go way up in our pension provisions, and that waiting for the kind of testing you want, and doing it on a basis of variation among the provinces, just has not got the idea at all.

Mr. DOWSETT: May I ask this? What is the Government's interest in attacking the problem in this way? Perhaps my question is not too clear. Is the Government program designed to provide income for retired people of the day which has no relation to their needs? Is it just income for income's sake? What is the Government's aim in this regard?

Mr. KNOWLES: I would like to answer that, and will be glad to do so, but not for the Government. However, speaking for myself, my interest in this kind of legislation is that I see the day, not many years hence, when people will retire on pensions of $150, or $200, or $250 a month, whether single, or whatever their status. I am still concerned, as you are, about need, and I am glad that you people have come to us and drawn our attention to the gaps, and the fact that we are doing practically nothing under this legislation for the people over 70. The fact of the matter is that I am interested in getting adequate high level pensions for all our people, without talking about needs or means tests, or anything of that kind. That is what interests me, as one who has been interested for a long time in this kind of legislation.

Mr. DOWSETT: And do you feel that it is the proper role of government to set up programs which, as well as allowing income, will provide basic subsidies—to provide income in excess of that?

Mr. KNOWLES: If you would modify that you would be saying it better than I would be saying it myself.

Hon. Mr. CROLL: Is that not exactly what we did in 1952—provided for those people who needed it and people who had no need for it at all?

Mr. KNOWLES: Does Senator Croll recall—and he was in the Commons at the time—that in 1950 when the debate on the address in reply was taking place and some of us were pressing for the removal of the means test, the Prime Minister of the day, the Right Honourable Louis St. Laurent got up and said in the course of his speech, "Wouldn't it be ridiculous at any age from now on to get a pension without a means test?" He was then 68 years of age.

Hon. Mr. CROLL: Yes, I recall.

Mr. BASFORD: Madam Chairman, on a question of order, I hardly see any relation this has to the matter.

Mr. KNOWLES: It has relevance.

The CHAIRMAN (*Hon. Mrs. Fergusson*): One at a time.

Mr. BASFORD: We have before us a witness, Mr. Dowsett, who has presented a brief to the committee, and we are examining him on that brief.

The CHAIRMAN (*Hon. Mrs. Fergusson*): That is right.

Mr. KNOWLES: The point is that in the brief at page 5, paragraph 4, it talks about a plan that will increase the income of some of the aged persons who do not need it. My point is that this is a point of view that has often been expressed and held us back. My concern is that we should forget about this limiting concept to need only, and to put it on the basis that it is the business of the state to provide the basic subsistence needs, but to provide more than that.

Mr. DOWSETT: Do you not agree, Mr. Knowles, that if a newly-adopted government plan does increase the incomes of the aged persons who do not need it, this is an anomalous result which arose from the unavoidable elements in the plan left there to make the package acceptable?

Mr. BASFORD: Madam Chairman, on a point of order. This is completely irrelevant.

Mr. KNOWLES: It has been going on for the past week.

Mr. LLOYD: I am asking for one supplementary, only so that there will be given an opportunity to the other members to question the witness—

Mr. KNOWLES: Then may I co-operate by asking one more question.

The CHAIRMAN (*Hon. Mrs. Fergusson*): One question. I trust it will be a question, not a statement.

Mr. KNOWLES: In view of your statement on page 11, paragraph 9, Mr. Dowsett, where you say that for a private pension plan a contributory plan is most desirable, but for a public pension plan it is anathema, may I ask you that if you feel there is something in the magic of averages for the millions—I am quoting Sir Winston Churchill—and that insurance helps the millions, if it is there to be used by private outfits, can we not also use it in the public domain?

Mr. DOWSETT: I would suggest that if the contributory principle were followed to the end, perhaps this would be true, but it is not. In the Canada Pension Plan the contributory principle is almost forgotten, in some regards. The cross subsidies are extensive and large.

Mr. KNOWLES: As they are in insurance schemes.

Mr. DOWSETT: I don't agree that they are in insurance.

Mr. KNOWLES: Well, I have paid an awful lot of insurance premiums.

Mr. DOWSETT: If you are speaking of life insurance, that is a different animal from pensions. Life insurance is a different animal, and the cross subsidies in there are not these massive trust subsidies in the pension plans put out by the private sector. The equity is followed to the ninth degree. A contributor in a private plan always gets back his contributions with interest. Isn't that something you have heard before?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Who is next?

Mr. KNOWLES: I have not finished, but I will stop, Madam Chairman.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you, because I have a list of members who want to ask questions. Mr. Gray is the next one.

Mr. GRAY: I have one question. I find it hard to see how you can support the kind of old age security system we have now and yet oppose any approach to this general problem which you claim is based on need. Mr. Dowsett, I

think we all agree that a large number of the people who get old age security pension cheques have pretty good incomes otherwise. Everybody gets a cheque. Right?

Mr. DOWSETT: Right.

Mr. GRAY: Why then, to be logical and consistent, have you not come to us and also proposed that the old age security system be changed so that those not in need do not get the old age security cheque.

Mr. DOWSETT: I think this is one of the principles of a social pension plan that is a necessary evil left in the pension plan designed to make the whole package acceptable. Pensions as a right is something that we have bought in Canada.

Mr. GRAY: But you are not going to accept a concept of—

Mr. DOWSETT: Not when it is as massive a program as this and makes such glaring omissions. That is the problem, that I think that it does such an inadequate job.

Mr. GRAY: One final question. Your remarks about a job being inadequate, I suppose applies to your suggestion sometime earlier in the afternoon, when you estimated that as high as 40 per cent of the labour force would not get any benefit out of this. What is the basis for that figure on your part?

Mr. DOWSETT: An examination albeit too cursory, of the actuarial report and the participation in labour force statistics for women, and the dropout statistics for women, and the dropout statistics assumed for the future, because of less than $600 in earnings, unemployment rates, and the like. I think it would be wonderful if the committee would request a figure from the government actuary as to the 1980 or 1985 percentage of the labour force contributing under the forecasts.

Mr. GRAY: I think this has been done.

Mr. DOWSETT: I don't think it has. I did not find any such figure when I looked for it.

Mr. GRAY: I think you could have been much more helpful, but I know you came here intending to be helpful.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Have you finished, Mr. Gray?

Mr. GRAY: Yes.

Mr. MONTEITH: Madam Chairman, I would like to make one very brief statement. I have been very quiet all the afternoon.

Mr. KNOWLES: I support that.

Mr. MONTEITH: I have just turned up my notes of Mr. Watson's visit, and the first note I have is that he accepts the fact that the bill is a foregone conclusion, and that as a consequence, from there on he is hoping to rationalize it. I think the present witness, Mr. Dowsett, has hoped against hope that maybe there would be some possibility of doing something about it. Am I right, Mr. Dowsett, in saying and suggesting that in all of your discussions this afternoon, urban versus rural, one part of the country against another, and so on, you have in your opinion felt that the Canada Pension Plan just does that very thing in these particular incomes in the years to come as between rural, urban, and so on, as you are taking it on the basis that the Canada Pension Plan does this, am I right?

Mr. DOWSETT: I submit it does this. The Canada Pension Plan would do this, but with individual variances. Some high-wage earners in Newfoundland would get a larger income granted under the Canada Pension Plan benefit formula than a low-wage earner in the City of Toronto. But, generally speaking, looking at the total payments under the Canada Pension Plan this effect you

mention, I believe, would flow from the Canada Pension Plan if it were passed as it is now envisaged.

Mr. MONTEITH: To carry on from there, do I gather your main theme this afternoon is to the effect that we could well through O. A. Security give an increase, possibly, to the present recipients, give it to them at a lesser age? We could provide for survivorship, disability, orphans and, as has been under Old Age Security, complete portability, and we would also have in that large number which you claim—and I agree with your thoughts in this respect—are presently left out of any benefits in the Canada Pension Plan?

Mr. DOWSETT: That is my feeling, yes.

Mr. MONTEITH: And you would continue to finance these improved benefits and formulas through such a formula as the 3-3-4?

Mr. DOWSETT: Yes, sir.

Mr. MONTEITH: Have you any ideas or claims as to whether the total increase necessary to possibly look after this—and I have not given you any figures, but you think this probably could be done on a fairly substantial basis and still be less of a tax load on both the employer and employee than the present Canada Pension Plan?

Mr. DOWSETT: I think this might well be true. I did not make the point before that I would like to make now, and that is to the effect that the immediate 1.8 per cent to the employer and employee does not strike me as a tremendous, stifling burden to the Canadian economy. Perhaps it should be redefined in terms of the 3-3-4 type of formula, in my view, but what bothers me about the Canada Pension Plan is the snowballing effect I have described earlier, and the fact the 1.8 per cent from employer and the same from the employee, I feel, will grow in the future. In fact, the actuarial forecasts indicate such a substantial growth in these figures. That is what makes me feel the burden would become heavier in the future. If we could speak of something like 1.8 or 2 per cent of contributory earnings from employee and employer, in terms of the Canada Pension Plan contributory earnings, I do not think this would be an undue burden for Canada.

Mr. MONTEITH: Have you, in your considerations, given any thought as to whether or not as people become older they should receive a larger amount? For argument's sake—and I am not putting down the present $75 a month as a sacred cow or anything like that, but I am using this figure of 70 years of age as the basis at the present moment—if somebody reached 80 years of age, have you any idea as to whether or not their requirements would be greater?

Mr. DOWSETT: No, I do not think I have strong feelings on this subject.

Mr. MONTEITH: That is all, Madam Chairman.

Mr. LEBOE: I am interested, Madam Chairman, in the portability. I understand perfectly well the views of the witness in connection with the Old Age Security, eliminating the possibility of portability. I am wondering if he has considered such groups as the Canadian National Railways and some of these larger groups that have pensions, and by virtue of the security of their pension these employees are held to their particular job. Whether they like it or not, they stay for years. Don't you think that we need some sort of a plan in order to allow these people portability in their private pensions throughout the country, or don't you think it should be desirable?

Mr. DOWSETT: If that is desired, surely the approach to Government implementation of this desire would be through the passage of legislation like the Ontario Pension Benefits Act, and not through the adoption of a complete Government pension scheme to supplant the existing pensions that are now there, albeit on a non-vested or portable basis.

Mr. LEBOE: The Ontario scheme is just a sort of melting pot guarantee, is that what it amounts to?

Mr. DOWSETT: No, my view of the Ontario Pension Benefits Act is it requires just what you ask for in your original question, a requirement for existing pension plans creating portability and having portability and vesting requirements.

Mr. LEBOE: One other question. Do you think it is possible to have a pension plan as one departmetn of our system of welfare or security, or whatever you want to call it, a pension plan with old age security separated from that plan, and then the residue of welfare which results in those fields which you cannot touch in either the pension plan or the Old Age Security? I am thinking of three divisions.

Mr. DOWSETT: Are you asking me if I am in favour of three divisions?

Mr. LEBOE: Yes. From the remark at the bottom of page 16 that caused some little consternation here a little while ago, I sort of sensed the benefits that are going to arise out of the pension plan to certain individuals and the benefits that are not going to be obtainable to other individuals—and it has been mentioned before in the committee, those who have not had a chance to contribute, and so on—that combining the two is, to a degree, hiding the fact that many people will not benefit by the pension scheme itself, but by combining the two they say they have certain benefits. My question is, do you not think that the pension plan should be separate? If we are going to have one it should be separate, the Old Age Security should be separate, and there is going to be a residue of welfare cases that cannot be met by either the Pension Plan or Old Age Security.

Mr. DOWSETT: I am not sure I completely understand your question, sir, but I think the Canada Pension Plan could, in my view, consist of an extension of the O.A.S.-type of planning, pay-as-you-go, non-contributory. Whether you call it merely an extension of the O.A.S. plan or not, I do not mind, but I am not advocating the adoption of a completely separate contributory wage-related pension plan as opposed to the O.A.S.

Mr. LEBOE: I realize that, but what I am trying to get at is this, if we are going to have a pension plan—the House of Commons has voted unanimously for the principle of a pension plan, and I think we can conclude from that we are going to have a pension plan—what I am asking you is, in your view, if we are going to have a contributory pension plan such as is envisaged, if it could not be separate from the Old Age Security entirely? One is the citizen's right and the other is a contributory plan.

Mr. DOWSETT: I feel this division you speak of is apparent in Bill C-136. There is the Canada Pension Plan, on the one hand, and the O.A.S. on the other.

Mr. LEBOE: I do not think there is, so we will leave it at that. I think they are definitely dovetailed and involved.

Mr. DOWSETT: Only to the extent of those provisions at the end of Bill C-136 which deal with early vesting and indexing. It is still quite a separate program. The taxes for O.A.S. are separated from the contributions required for Canada Plan benefits.

Mr. LEBOE: By having your pension at age 65 you drop to $51 instead of getting $75, so they are involved and I am thinking of separating them entirely.

Mr. DOWSETT: If we are going to have the Canada Pension Plan provisions outlined in Bill C-136 I do not see anything like the terms of O.A.S. under the same bill. In fact, I will go one step further. I think—and I have put this in my brief—that the earnings test that is applied to early commencement of income under the Canada Pension Plan benefits should also be extended to the early commencement of income under the O.A.S. benefits. I would like to see the

O.A.S. benefit subject to the same earnings test. If a citizen wants to commence that income at the $51 level at the age of 55, this would save dollars to the whole scheme, as a matter of fact.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Macaluso.

Mr. MACALUSO: Just one short question. Mr. Dowsett, on page 14, paragraphs 8 and 9 of your brief, you are contrasting Bill C-136 and the 1963 plan, and you point out that, compared to the 1963 bill, the earlier benefits have been reduced in this bill, and also the $10 a month old age security will not be paid out of the Canada Pension Plan and at the same time the tax burden will be increased for many people.

I am curious to know why in that brief you have made no reference to the fact that under the 1964 plan as compared to the 1963 plan there is a disability pension being provided and also a pension to survivors who cannot be considered aged.

Mr. DOWSETT: On page 14, No. 8—

Mr. MACALUSO: Well, say in paragraph 9 especially.

Mr. DOWSETT: But just read paragraph 8: "In the building up from this stage to Bill C-136, disability pensions, survivors' pensions and death benefits were added."

Mr. MACALUSO: But, in paragraph 9 you leave the impression that the $10 increase to the O.A.S. has been deducted and will not be in the pension plan benefits, and you say that the tax burden is going to be increased. I am reading it here: "But Bill C-136 would call for the tax rate to be increased and the tax basis changed so that now total contributions are 3.6 per cent of annual earnings over $600 and up to $5,000 per year"—etc., etc.

Mr. DOWSETT: The point is, sir, that in 1966 the disability pensions will cost nothing, and in 1970 they will cost .37 per cent.

Mr. MACALUSO: I am saying in my opinion you have, though perhaps not intentionally, distorted the facts to someone reading it. You are really not making sense when you say at the same time that the tax burden will be increased for many people. You are really not pointing out the fact that disability pensions even beyond 1966, and pensions provided for survivors not now aged, are not taken into consideration.

Mr. DOWSETT: Well, I explained it; I did explain it in item No. 8.

Mr. MACALUSO: Perhaps it is not too clear, then.

Mr. DOWSETT: The point I am trying to get across here is that we have removed items which, under the original plan, cost 1.53 per cent. We have removed benefits costing 1.53 per cent in 1970 and replaced them with benefits costing 1.37 per cent. This is diminution of benefits, surely; it must be if contributions are going to build up a fund. That is the whole point. By these changes we have created a partial fund.

Mr. MACALUSO: Right.

Mr. DOWSETT: Would you not agree?

Mr. MACALUSO: I agree that there is a partial fund.

Mr. DOWSETT: How have we created this partial fund? Going from one plan to the other we have taken away some benefits. That is the point. We have taken away, we have reduced the benefits available in the years up to 1980. Don't you agree with that?

Mr. MACALUSO: The way I read it in paragraph 9 you leave the impression that although the $10 increase to the O.A.S. has been transferred out of

the Canada Pension Plan, and the early benefits will be reduced, yet, at the same time, the tax burden will be increased for many people, and all this is done to raise a partial fund.

Mr. DOWSETT: Is that not true?

Mr. MACALUSO: You are leaving the impression that at the same time the tax burden will be increased.

Mr. DOWSETT: Which is true.

Mr. MACALUSO: Your interpretation and my interpretation of what you have in the brief disagree. I guess we cannot reconcile ourselves.

Mr. KNOWLES: This is one place where the witness was right.

Mr. MACALUSO: I agree in the partial fund, but not in the tax burden.

Mr. DOWSETT: We had to get the benefits, the money, from somewhere.

Mr. LLOYD: Mr. Dowsett, did you see, perchance, the December 10th report, No. 24, of the Special Committee of the Senate on Aging?

Mr. DOWSETT: No, I did not.

Mr. LLOYD: You are not aware, then, of the fact that there are tables, some statistics, on cash incomes of people of certain age groups, including those of 70 and over? You have not seen those?

Mr. DOWSETT: I have not studied these, but perhaps they are the ones mentioned by Dr. Willard, and if this is the case, I submit that this committee should be studying those in detail.

Mr. LLOYD: I suggest to you that we will be taking some cognizance of your remarks, even though we do not necessarily agree at the moment with them. May I ask you one final question? It seems to be the conventional wisdom among people when they are striking a rate to achieve a future payment that they strike the rate at some point which will create a surplus or reserve to stabilize the rate over a period of time. Is that not true? Is that not a general practice?

Mr. DOWSETT: As far as my income and my expenditures as a personal individual, I wish I could say that there is a big reserve of funds. But, in fact, there is a very small one; I am in debt up to here.

Mr. LLOYD: You are dodging the question. Is it not a fact?

Mr. DOWSETT: I don't agree that social pension itself—

Mr. LLOYD: Even with pay as you go, they have all said that they are not in favour of funding.

Mr. DOWSETT: Yes.

Mr. LLOYD: On the other hand, there is a need of a certain volume of funds to stabilize the rating as you get into the plan. There are unforeseen things.

Mr. DOWSETT: Yes, from year to year.

Mr. LLOYD: And to reserve against mistakes in your forecasting.

Mr. DOWSETT: Yes.

Mr. LLOYD: Such a reserve would in the meantime be available for investment, would it not?

Mr. DOWSETT: Yes.

Mr. LLOYD: It would be wise to invest such funds. Is there any objection under those circumstances in having such funds invested in provincial and municipal government bonds?

Mr. DOWSETT: No, sir.

Mr. LLOYD: May I suggest to you that is exactly the compromise in the two schemes involved.

Mr. KNOWLES: Is this open to argument?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Only by the witness.

Mr. DOWSETT: Well—

Mr. LLOYD: Take a look at the charts of the *Financial Post* for January 9.

Mr. KNOWLES: Let the witness finish his answer.

Mr. LLOYD: What else is there but to conclude that there may be a very generous fund?

Mr. DOWSETT: It is vast compared to what is recommended in Bill C-136.

Mr. LLOYD: You agree that some fund is necessary?

Mr. DOWSETT: But one of miniscule proportions compared to the one forecast.

Mr. LLOYD: Thank you.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Any other questions? If not, then on behalf of the committee, Mr. Dowsett, I want to thank you for the time and effort you put into preparing this brief, and the time you spent in coming to present it to us here. Although some of the members obviously disagree with your opinions, I assure you that all members of the committee will consider what you have said very carefully when we are giving further study to Bill C-136.

EVENING SITTING

MONDAY, January 18, 1965

The CHAIRMAN (*Mr. Cameron*): Ladies and gentlemen, we have a quorum. Senator Thorvaldson, we have been waiting for you so that your party is well represented.

Our witness this evening is Mr. C. J. Woods, F.I.A., F.S.A., Vice-President and Director of William M. Mercer Limited, 1 Place Ville Marie, Montreal 2, Quebec. Mr. Woods has submitted a brief, of which you have all received a copy and which you have had an opportunity to peruse. I shall call on Mr. Woods to make his presentation.

You may remain seated, Mr. Woods, because that is our custom. As I have already indicated the members of the committee have read your brief. You can make a summation of it and of your recommendations, and the committee will then take over and ask you questions.

Before we start is it agreed that Mr. Woods' brief be appended to the minutes of the committee's proceedings as an appendix?

—Agreed.

Mr. C. J. WOODS (*Vice-President and Director of William M. Mercer Limited*): Mr. Chairman, Ladies and Gentlemen: I very much appreciate the opportunity of being here this evening. This is a brief brief, a fact of which, I imagine, you are appreciative. It is brief because it is not a brief from my firm. This is my own personal effort as a contribution to the committee's work. I would have liked to have gone much more deeply into the plan, but being a consulting actuary the activities of Ontario and the federal Government have kept me extremely busy over the last few months, but I have concentrated my efforts, therefore, on one particular feature of the plan. However, I should like an opportunity, since you have so kindly given me an entire evening, to talk to you about one or two other features in general terms later.

I shall not read through my brief. The essential point of it is this, that this plan as proposed is, in many ways, shall we say, produced on the philosophy of a private pension plan. If an employer is putting in a pension plan for his employees his main concern is to produce a pension which will allow him to retire an employee without any hard feelings when he wants to let him go and, in consequence, it is quite essential that the end pension bear a fairly good relationship to the earnings that the employee is receiving before he leaves. That is not, to my mind, the requirement of a national plan.

We have here a situation which I have illustrated on the third page of my brief and in which—if we were to look upon this plan, in effect, as we look upon many private plans, as producing, shall we say, for each year of service which is going to count for pension purposes one-half of one per cent of pension benefit—we are giving a very substantial past service benefit to those who are now of advanced age. In fact, the obvious case is that of a man aged 55 when the plan comes into effect. He will receive a benefit in respect of his entire past service, if we call it that, based on his earnings at the time he enters the plan.

I have not read the bill in full detail and with the greatest care yet, but it would seem to me that it is possible for that person never to have lived in Canada, and to have arrived here, and if he is earning $5,000 or more obtain a very substantial benefit, which is much more than we give to a person earning much less.

My idea of a national plan is that we give benefits where they are most needed, and we should not follow the philosophy of a private plan.

Therefore, the whole purpose of this brief is to suggest that we take into account, in giving everybody a pension, their earnings throughout their entire lifetime from 18 to 65. In the case of earnings before the plan comes into effect, we do not assume that they have earned throughout their lifetime the earnings they are receiving when they enter the plan, but we assume a flat figure which can be $2,000 or $3,000. This is a matter of calculation. On that basis, we are in effect saying that the years that he has lived before age 55, for which he made no contribution whatever, will count the same for all people; and it is only the benefit that he gets for the years after age 55, while he is contributing to the plan, when obviously he contributes on his earnings, and only those benefits should be earnings related.

On the third page of my brief I show that, actually speaking, if we take what is a rough approximation to the capital value of the benefit at age 65 of two people, and we take away from that the value of the contributions that they make in the next ten years—these are two people age 55 when the plan comes into effect—take the case of the one earning $3,000, he gets a benefit worth about $9,000 if he gets to age 65. One earning $5,000 or more—and these are modest examples, because there are people earning $10,000, $15,000 and $20,000—he gets something like $15,000, and he obviously needs that far less than the first person.

If, in place of taking the average of his earnings during the period he contributes, you take the average of his earnings from age 18 to age 65, and assume a flat figure for his earnings before age 55, you get a very different picture. If you assume that these earnings are a flat figure of $2,000, as they are adjusted to the date the plan comes into effect, you now find that, in the place of the lower paid person getting a pension of $3,000 against the higher paid one getting $5,000, the lower paid person gets $2,238 and the higher paid person gets $2,714 a year, the reason for that being that it is based on his higher earnings, upon which he contributed in the last ten years. Now this, shall we say, sheer gift which is given to the higher paid person, under the plan as it now stands, of some $6,000, is reduced quite dratsically to $1,200, the difference between $7,900 and $6,700.

I mention $2,000 as the figure. It could be $1,500, it could be $2,500. The principle is that the pension, if you agree to regard it as such, for service for his lifetime before age 55, should be on a flat benefit. He makes no contribution towards it and it should not be graded up by his earnings after age 55. The pension after age 55 should be related to earnings, because he is contributing; the man who earns more is contributing more than the man who earns less.

I do not know how familiar you have become with the principle I have mentioned, which you might take into account; but I think this would remove what is in my mind a very grave defect in the plan.

Many years ago, my president, Bill Mercer, who died some years ago, mentioned—and I think it is very true—that most of our trouble in national planning is in trying to give a little money to everybody, we are giving a little money to a lot of people who really do not need it and we are not giving enough to the people who do need it. His contention was that a lot of our ideas and planning could be concentrated on a modern means test which would not be embarrassing to anybody and would concentrate the money where it is most needed.

This plan, as we have it now, is giving far more to the wealthier person. As I say, while we talk of $5,000 a year we are also talking of people who earn much more than that, giving far too much to them and far too little, if you like, to the person who is earning far less than $5,000.

In the various reports on the proposed plan, we discussed the problems of integration with private plans. If you were to cut down this retroactive or past service element, you would make the problem of integrating with private plans so much easier. At the moment we have the Civil Service, for example, proposing to make a minor alteration in their pension credits for future years, so that because of this high retroactive element, anybody earning over $5,000 a year in the Civil Service is going to get much more than 70 per cent of his final earnings as a pension. If there is anybody in this country needing a pension of 70 per cent, I think it is as much as anybody could wish to have.

You might also note that if you really want it, if you take this principle and assume the earnings before the plan came into effect were just a flat figure for each year, if you wanted you could extent this backwards to those people who are over age 55 now and are literally going to get little or nothing from this plan.

Whether or not you do that is of course a matter of cost, and I am sure that your actuaries in your Department of Insurance are perfectly capable of finding out what that cost should be.

If you have read this brief, I do not think I can say very much more on this subject without repeating myself.

The CHAIRMAN (*Mr. Cameron*): Have you any recommendations you wish to make?

Mr. WOODS: I put my recommendations in capital letters, with the idea that that might help to bring it out in the rest of my brief.

The CHAIRMAN (*Mr. Cameron*): That is on page 1.

Mr. WOODS: Yes. I tried this in several forms but this seemed to me the most convenient way of doing it, in effect, where you have it now that the pension for a person who contributes for the full period is 25 per cent of his average earnings, while he is contributing—I am just suggesting that it should be 25 per cent of his average earnings over his whole lifetime since age 18, on the assumption that his earnings between the age of 18 and the end of the plan are a fixed figure of $2,000, $2,500 or $3,000. It is as simple as that.

The CHAIRMAN (*Mr. Cameron*): I have noted several members who wish to ask questions—Mr. Francis, Mr. Knowles, Mr. Cantelon, Mr. Côté, Mr. Lloyd,

Mr. Munro—and I suppose others will come along too. Senator Croll also wishes to ask a question.

Mr. FRANCIS: I would like to congratulate Mr. Woods on an ingenious proposal which I think is one worthy of careful consideration by the committee. Frankly, what puzzles me about Mr. Woods' proposal is this. As I understand it, he would assume that every contributor who had been in the labour force prior to January 1966 would have earnings of a flat rate of so much a month. This is the essence of his proposal, that there is a flat rate of earnings. My concern is how one would decide, in the case of persons not really in the labour force. For example, take housewives. Would you not have to credit them with equivalent flat rate earnings, and would this not amount to a universal benefit for everybody from the beginning of the plan?

Mr. WOODS: Perhaps you would look at the third paragraph on the fourth page. I sound now like reading the second lesson. It says there:

> If the average last 10 years' earnings were less than the fixed figure, the former only would be used.

In other words, you could do this. If you wanted, you could give it to everybody, but I am not suggesting that.

Mr. FRANCIS: You get to the point of a universal pension, and my concern is how you distinguish your proposal from that.

Mr. WOODS: In the normal way now under your present plan you are going to take the average earnings of a large number of people over the ten years in which they were contributing. I agree that if you apply my method and fix this to everybody you are bringing in a universal pension, and I am saying you should not do that. What I am saying is that you find the average of the last ten years' earnings, that you put a ceiling on it. In other words, if the last ten years' earnings were earnings of $600, then you would not give them $2,000, you would give them no more than you would give under your present plan, but you would put a ceiling on how much you would give.

Mr. FRANCIS: I wonder if you could deal with a specific case that will illustrate it. I am not sure that I understand it; and that what you are saying makes sense, I have little doubt. Take a husband and wife age 55 on January 1, 1966. The husband has been in the labour force, continues in the labour force. Would you blanket in his employment just prior to January 1966 at a flat rate? What would you do in the case of the wife?

Mr. WOODS: In the case of the wife, this would be fixed, at the time she was retired.

Mr. FRANCIS: Supposing she is retired at 55 and is in the labour force?

Mr. WOODS: In that case, she will get nothing. Let us take the case of the man, for a moment. If his earnings for the last ten years averaged $5,000, assuming at the moment there is no cost of living escalation, and no increase in earnings, he would benefit on a flat average of $5,000. If the figure used for his purpose was a flat figure of $2,000, then you would work out his average.

Mr. FRANCIS: I do not think there is any problem with him. What about the wife?

Mr. WOODS: As far as the wife is concerned, you would not give her credit for any period before age 55 for any more than her average earnings after 55.

Mr. FRANCIS: I now take the next case, of the wife who works for one year, between 55 and 56?

Mr. WOODS: And earns how much in that year?

Mr. FRANCIS: $2,000.

Mr. WOODS: Therefore her average over the last ten years will be $200, will it not, if you divide $2,000 by ten?

Mr. FRANCIS: What would you presume she had prior to 55?

Mr. WOODS: I would not treat her average overall as higher than $200. All I am doing is taking the average where anybody's earnings over the last ten years are less than the fixed figure we have assumed and you just leave things precisely as they are under your plan, and where the person's average would come above the $2,000 figure, or the figure you chose to work with—his average between 18 and 65, assuming the earnings before were the fixed figure. Otherwise, you would receive precisely as you do now.

Mr. FRANCIS: In other words, the estimates of your proposal are for people who are proved to be in the labour force at the commencement of the plan. If they are not they must exceed the flat rate figure, or else the present formula would apply. If they do exceed the flat rate figure—

Mr. WOODS: I first tried to put this recommendation in a way that would be easier to understand, but when I started to write it down it was a little more difficult.

Mr. FRANCIS: I think I grasp it now. I think it is very ingenious.

Mr. KNOWLES: Mr. Chairman, like Mr. Francis, I believe Mr. Woods has dealt with this problem in an ingenious fashion, and I think it is suggested that we take a serious look at it. After all, he is trying to over-simplify to make sure we understand the proposals. As I see it, Mr. Woods, you are suggesting in effect a different formula for a past service credit?

Mr. WOODS: Precisely.

Mr. KNOWLES: At January 1, 1966. I would like to ask two or three questions. Perhaps I will put the first two together so that I shall not seem to be asking a leading question. Is it fair to assume from your approach, from your suggestion of an alteration, that you look with aproval on the idea of a contributory earnings related plan under public auspices?

My second question would be: Is it also fair to assume that you look with approval on the principle of such a plan allowing for past service?

Mr. WOODS: As far as your first question is concerned, I think the answer is yes.

I would like the Canada Pension Plan to take full control of the first element of earnings. I would like to have seen a plan where the pension benefit, we will say, would be 40 or 50 per cent of a much lower level of earnings, so that every private plan could take that as completely out of the plan altogether. At the moment you are giving a pension of 25 per cent up to $5,000. That is not an adequate pension. Therefore, the private plans in force will have to adjust their formula, and will still have to give added benefits to supplement the Canada Pension Plan. Of course, you are not personnally responsible for this, so I will not give you credit for that.

Mr. KNOWLES: Oh, give me a little credit, if you can.

Mr. WOODS: If you had a plan where the benefits of a full period would work at, we will say, 50 per cent of the first $2,000 or $2,500, it would have been very easy for every employer to say our plan would only apply on the excess over this figure, and that would have made integration and co-ordination extremely easy.

Now, as to cost, whether you gave it to everybody, or in proportion to how much they give in the future.

Mr. KNOWLES: You will recall that I asked you if you favoured a contributory pension plan.

Mr. Woods: Do I favour the contributory pension plan? Yes, I do; but of this nature, where the Government would take care of an adequate pension on the first part of anybody's earnings, the private employer then need only put in a private plan in excess of that figure.

The second is the question of cost, and it is this past service element which is causing difficulty in its integration and co-ordination. You get to the point where some plans are of a very generous nature and it is very difficult not to give whatever is in the plan, because the idea of producing accrued benefits is frowned upon. You are going to give people a lot more in many cases then they really need. Yet there are a lot of people, who when they are over-supplied, think they are getting practically nothing. So I would go forward with the past service element to a degree. On the other hand, there is the question of costs. Actually, I am not too much concerned about costs being passed down to future generations. We have already passed on the costs of two world wars, and I do not see why we should trouble about a little thing like this.

Mr. Knowles: I cannot deny myself the right to say that this is welcome testimony. Perhaps I might be permitted to say that I remember your late president very well in previous committees, including that abortive one on the Government Annuities Act, where his testimony, by the way, was very good.

May I just move on to one other question? In the concluding part of your brief you suggest as a possibility that savings achieved by adopting your alternative for the recommendation of past service could be used to improve the pensions of what might be termed the "last generation". In other words, you suggest the possibility of this money being used to increase or supplement the pension to those who would be only on old age security. May I ask you if you advocate that such savings be used for that purpose.

Mr. Woods: One fundamental principle of pension planning is to try and avoid accidents of birth. For instance, a person might happen to be born in one particular year and he gets a poorer deal than someone else who is born a few years later. Or one dies one day, and his benefits are different from if he died one day later. We always try to get a reasonable continuity. The last generation of people who are 60 or over by the first of January will literally get nothing out of this plan. All they will have is the old age pension. I do not know under what particular star the group of say 45 to 55 were born, but they are fortunate. By virtue of the fact that many plans do not give accrued benefits they will get over and above whatever they expected to get, and then of course this will gradually die out as those of a younger age come along. The one aged 18 now, assuming the plan is altered 47 years from now, which is unthinkable, will get no particular benefit. So one group of people in 1921 and 1911, who, of course, are survivors of the first world war, and may deserve this, will get a particular advantage, whereas those before 1911 will not get it, and those in the 1921 group will naturally benefit at a decreasing point.

I consider what I am proposing is that advantage be taken away and we try and smooth this out. Whether or not you give this to this lost generation is a matter of cost. I think it is desirable, but, here again, if you have ever heard Mercer on the means test, we have had people suffering from multiple sclerosis at age 50 and they need a far higher income than they are getting. I think we should give some thought to giving these people a better income, if need be from the saving. Since maybe we have not the money, whether we should call this a saving I do not know. That is an economic matter.

Mr. Knowles: But it is fair to say, is it, you feel the disparity between those born under the lucky star and those born too soon—

Mr. Woods: One should be brought down and one brought up a little bit.

Mr. Knowles: Might I emphasize the fact you want one brought up?

Mr. Woods: Yes.

Mr. Cantelon: I was going to ask Mr. Woods to explain a little more fully the sentence on page 2, "This differential is completely inappropriate in a public plan." I think that he has explained it, but I do not know if he wants to add anything. However, if he cares to add anything I would be prepared to ask the question.

Mr. Woods: I would like to mention I can read French very easily but, unfortunately, I cannot speak it with the same fluency. I have read two very lengthy reports issued by the committee in Quebec. I also did appear before that committee on one momentous occasion. In the second part of their report they apologize most profusely, in the charming manner in which the best brought up French-Canadians can, for this very feature. Why they did not do something about it, I do not know. I would be much more in favour of the Quebec plan if they did, but they did apologize that the person getting most money got most out of the plan for something for which he made no contribution. So this is not original in this regard. I can give them credit for thinking of it first, but they did not do anything about it. When the two plans were joined together by trying to insist the so-called transition period be shortened from 20 to 10 years maybe they overlooked this fault because it was not too bad at 45 but it is made perfectly criminal at age 55.

Mr. Cantelon: Others have brought our attention to this too. I would gather from what you said the matter of cross-subsidization is one that does not bother you very much?

Mr. Woods: Do you mean from one future generation to another?

Mr. Cantelon: Yes.

Mr. Woods: As a matter of fact, people have talked a great deal about this, but I am quite sure if we were to take every part of our taxation policy and define it we would find we are still paying an awful lot for the First World War and, I am sure, an awful lot for the Second World War. We have now taken what is taxation in effect and called this a contribution to a pension plan. The main trouble with this kind of plan is once you have started it it will tend to grow. So far as future generations bearing the cost, I do not think I am at all bothered about that. In fact, I am completely against the idea of any Government accumulating the fund. I do not think they should at all. This idea of offering funds to municipalities and provinces to use for any projects they want, without having to go to the public to explain why the project is necessary, is taking away one of the few controls we have in a democracy over what our governments do; and I say that with the deepest respect.

Mr. Cantelon: We have heard this before, as you probably realize. I am much interested in what you say about the fact that you think that your plan would make it much simpler to integrate private pension plans than what is suggested in Bill C-136.

Mr. Woods: I did not give you the brief to make my job easier. I gave you the brief because this was an essential feature to make that point of a national philosophy and not a private plan philosophy, but by doing so it would make the problem of integration much easier.

Mr. Cantelon: I wonder if you would like to set forth some of the difficulties that might arise in the private plan as opposed to the plan embodied in Bill C-136?

Mr. Woods: Let me take the situation of a good many employers trying to give pensions based on the final five years' earnings. A good many employers, even with what we call career average earnings plans, periodically improve the accrual benefits with the idea of building up the pension, which is 50 per cent or a reasonable figure of the last five years' earnings. That is the only measure of adequate pension. It is going to take all their resources and imagination to be able to fund such a plan. We have gone quite deeply into the process of equity investment, 25, 30 per cent, one-third or one-half of funds in equity to build up long term growth of equity to meet the fact that earnings are consistently going up. I do not think that under modern conditions we can ever hope for deflation. I am not sure we even want deflation. They really cannot afford to give anybody a pension more than a percentage of their final five years earnings, but unless they have access to this retroactive element in the plan, and many of them cannot because their own plans forbid them to reduce the presently accrued benefits, the people going on retirement in the next 10 to 15 years will get pensions in excess of them. The employer not only has to pay the private plan but the full contribution to the Government plan as well. If, by chance, retroactive elements were reduced and it did represent a reduction in contributions it would be leading to nobody receiving a pension of more than the maximum the employer was trying to achieve.

Mr. Cantelon: Why couldn't they just go and cut off, say, 1.8 per cent of the employee's contributions and let him put that into the pension plan, as suggested by Bill C-136, and cut their own pension plan down accordingly?

Mr. Woods: They would have to say, how are you going to cut the benefits down? By what the money happens to be in the case of the younger person you would cut all his benefits out, and in the case of the older person none of them out. If they are so foolish as to reduce the contributions under their plan from the employee by what they have to pay to the Government, heaven help the employer when, in due course, the Government doubles the contribution rate and he finds the pension plan has become a non-contributory one as far as the employee is concerned. I do not know how deeply you have gone into the problem of integration, but it is a very difficult one, to try and make use of this retroactive element.

Mr. Cantelon: That is what I wanted to find out. It is a very difficult problem to define. That is what I thought myself, so I asked the simple question.

There is one other comment I would like to make. I notice you said a good pension plan should provide the very best, and probably 70 per cent, as much as one could wish to have—I think were your exact words. This 70 per cent would be calculated then probably on the last five years of earnings, or the 10 highest years?

Mr. Woods: Or the five best years, either of those.

Mr. Cantelon: What is the purpose of doing that?

Mr. Woods: The purpose is, if you have a pension based on that you have then assured a person who has got used to a certain standard of living based on his final earnings that his income will not drop by more than 30 per cent. Taking into account the fact his expenses will drop to a reasonable figure, and also expecting him to have made other preparations for himself in retirement, and not relying completely on the employer's pension plan, he should be able to live adequately. A good many of normal industries' plans, even a good one, one like 2 per cent on the career basis, end up with a pension of less than 40 per cent of final earnings.

Mr. CANTELON: There will not be any higher pension plan for accruals because of the cost of living or the increase of the standard of living in the future?

Mr. WOODS: This is done much more often because the employer who has to pay the balance of the cost is a little unhappy about making too far an advanced commitment. We find in a good many private plans we deal with, an employer builds up a surplus in the fund and keeps on improving pensions up to a later and later earnings figure. On that basis he only increases the pension after he has already acquired a surplus, and ends up with a final earnings plan without having an advance commitment. We have seen plans where they are giving bonuses to pensioners, but only as decided by the employer and not on a fixed commitment basis. I think there have been many trends in pension planning in the last few years in Canada, particularly since the ceiling was taken off equity investment in 1956, the concept of having a substantial block of equities over a long term to give you a natural flexibility.

In England, of course, they are investing in common 50 per cent of the equity. You have one fine example: Imperial Tobacco, which is as complete in equities as you can get, having everything you could possibly have, including possibly bonus moving in its pensions. This will come. This is the trend.

Employers are rather cautious to tie their pensions to an escalating formula until they are quite sure of themselves. There are employers who would like to find this on their plans, but not yet have the nerve to do it.

Mr. CANTELON: This again, because there is an escalation clause in Bill C-136, would create difficulty in integration in both the private and the Canada pensions.

Mr. WOODS: Not in the sense that we are integrating, shall we say, the basic benefit, and the escalating part we regard as future clues of what the employer himself needs.

Mr. CANTELON: Thank you.

Mr. WOODS: Do you get my point? In other words, you have a pension of 20 per cent provided by the Government plan, and if the 20 per cent is escalated that is just a step on the way to the whole plan being escalated.

The CHAIRMAN (*Mr. Cameron*): Mr. Côté.

Mr. CÔTÉ (*Longueuil*): I just want to know if the idea of giving the benefits on an average earning for the people who will be 55 on January 1, 1966 is a new idea; or has it ever been tried in other plans or in other countries or anything like that.

Mr. WOODS: You will find in most other countries that there has not been much of a retroactive element at all. I am afraid that you suppose that I should be a world authority on pensions, but I find that one finds himself so busy with what one is doing that one does not always have time to read all the masses of papers that arrive from all over the world.

I would not like to pose as an authority, and therefore, with quite a lot of reservations, I say that to my knowledge most national plans have not given much of a retroactive element. My impression has been that most other plans from other nations have not given much of a retroactive element. They are based on the future only.

Certainly the contributory plan of Great Britain was largely future service only because that allowed opting out, as you know, and you can only allow opting out where the employer can take over his own plan for the future only.

The retroactivity of this plan is what has created difficulties both in equity in the plan and in the problems of integration.

Mr. CÔTÉ (*Longueuil*): My other questions have already been answered. Thank you.

The CHAIRMAN (*Mr. Cameron*): Yes, Mr. Lloyd.

Mr. WOODS: I appreciate seeing Mr. Lloyd here again. We spent some time in Nova Scotia together.

Mr. LLOYD: Thank you, Mr. Woods.

Mr. MONTEITH: What were you two working on?

Mr. LLOYD: I don't think it is necessarily relevant to the work of the committee, but now that Mr. Monteith is interested, Mr. Woods advised the City of Halifax on its pension plans, and he did the actuarial work.

Mr. WOODS: And I was an actuary of the Maritime Life Insurance Company when I first came to Canada, which shows that we are not that intimate.

Mr. LLOYD: I am delighted from the experience in Nova Scotia that you are one of the men who have come forward with workable proposals, and are not somewhere out in outer space. You are not a self-appointed political scientist and you are not a pseudo-economist. You take yourself in the field you are thoroughly familiar with.

Mr. MONTEITH: Did I hear a reference to pseudo-accountants?

Mr. LLOYD: No, economists. Mr. Woods, both Mr. Monteith and I appreciate your contribution. You made some suggestion, some comment about the availability of funds to this plan, did you not, Mr. Woods?

Mr. WOODS: I think when it is suggested that the saving under the plan could be applied to something else, it is very much like when your wife says, "I did not buy that $80 dress, so I can spend $50 on something else and I am saving you $30."

Mr. LLOYD: Did you go on to say that these funds could be available through the usual channels?

Mr. WOODS: I say this now, with the deepest reservation, because I am becoming a pseudo-politician, obviously, when I make this remark, but my opinion was that when anybody, any municipality or province, wanted some particular project and needed money they had to go into the bond market to find money for it, and they had to justify what they were doing; otherwise they would not be lent the money.

Now, if funds are available to draw on without going into the open market, then, as a pseudo-economist I feel that that is not quite the same as a natural control.

Mr. LLOYD: You are removing one of the disciplines to the decision made.

Mr. WOODS: I will be very diplomatic now in saying that it would appear to me it might be possible.

Mr. LLOYD: In reverse, if a province has had some difficulties in what might be perfectly valid objectives in obtaining capital for its purposes, this might be of some assistance in overcoming that.

Mr. WOODS: It depends on who thinks the purposes are valid; obviously the private market does not, if they had difficulty.

Mr. LLOYD: Mr. Leboe could tell you something about that if he were here.

Mr. WOODS: None of these things are simple. For example, I was asked a simple question in Quebec: Did I think it desirable that funds should be accumulated to institute a steel complex in Quebec, and I said, "as an actuary

I only work from the trends of the past, and they are not particularly hopeful in that regard".

Mr. LLOYD: In the case of municipalities, they still have to go through a municipal department, and I think there are boards whose approval is required in some provinces before they issue bonds. In the final analysis, is all of this being removed?

Mr. WOODS: I am saying that if these plans are available too readily, because they are part of this, there is not quite the same discipline.

Mr. LLOYD: On the other hand, let us assume that the provinces stay within the conventional wisdom as to how funds should be used, there is a need for a massive capital judging from the report of the Economic Council of Canada, and this kind of savings, even if some people call it compulsory, will be a very useful tool in the light of modern day economics, will it not?

Mr. WOODS: I am not making a major point of this in my brief.

Mr. LLOYD: All right.

Mr. WOODS: You are involving me in something of which I know very little.

Mr. LLOYD: Thank you.

The CHAIRMAN (*Mr. Cameron*): Is that all, Mr. Lloyd?

Mr. LLOYD: Yes.

Mr. MUNRO: Mr. Chairman, Mr. Woods, I, like the others, think that this is a most constructive idea, and I welcome having Mr. Woods before us because he has given us something that we have to consider very carefully. So I am sure we are all very appreciative.

I was just looking at the figures, and I would think that, reading the brief and the figures, the motivating factor obviously, from what you have said in the brief, is that you are concerned because of the benefits that are fairly rich due to the short transitional period of 10 years. This was a stimulus for you to come up with this suggestion before us, is that correct?

Mr. WOODS: If I may put it one other way, and I was going to put it another way on the first page: To make it simple, let us say that in place of giving a pension of 25 per cent as a flat percentage the pension formula had been one-half per cent for every year between the age of 15 and 65. In other words, if you made the age of 15 your early age and not 18. I am not advocating that, but I just want to make it simple. Then everybody would get one-half per cent for every year from the age of 15. Then all I am saying is that on that basis a man aged 55 under our conventional terminology in the private plans—if the plan was put in when he was 55—would have had 40 years for past service and 10 years for future service.

This plan bases all those percentages on his having 20 years for the past service, that is, 40 times one-half per cent, and five years for the future, which is 10 years at one-half per cent.

Now, you are giving him his entire 25 per cent based on $5,000 because he happens to be earning that when he is 55 years of age. If he is earning only $3,000 you give him 20 per cent of a fixed figure, which is, perhaps, $2,000, plus 5 per cent, if it is ten times one-half of one per cent, while he is contributing on his actual earnings. In other words, his past service is not wage related because he has made no contribution to it. His future service is wage related because he is making a contribution. Then you take away an awful lot of the inequity between the man earning $2,000 and the man earning $5,000.

Mr. MUNRO: In other words, the inequity that bothers you is an inequity that occurs from the short period—

Mr. WOODS: Not really, no. It is magnified because of the shortening of the period, but you are giving your man earning $2,000 just as good a pension as he would receive under your plan, but because of the way it is now worded you are giving a man earning $5,000 two and a half times what you are giving the man who is earning $2,000, to which neither has contributed. And, a man earning $2,000, by every standard, needs it far more than a man earning $5,000 or more.

This is the philosophy of the private plan. The employer is concerned to give a man earning $5,000 a larger pension because when he wants to get rid of him he is not embarrassed. If he can give a man earning $2,000 a pension of $1,400, and give a man earning $3,000 a pension of $2,100, or 70 per cent, then they are both getting a good pension and the employer accepts the inequity. He gives the older man more for that reason. But, this is not the philosophy of the national plan, which is essentially one of need.

Mr. MUNRO: This is an example of setting a flat rate at the inception of the ten year transitional period. This is the only place where it would be effective, presumably.

Mr. WOODS: That is right. It would have a certain effect for everybody who is over the age of 18 now because they all have a certain past service, as at the—

Mr. KNOWLES: Some refer to it as 46 years and 11 months.

Mr. WOODS: Yes, but it is no more complicated than the present formula. All you are saying is that you are taking an average over the whole 47 years instead of ten years, assuming certain past earnings.

Mr. MUNRO: I am just going to ask in this particular case you have come up with why this formula should be weighted more in favour of the lower wage groups. It would have that effect?

Mr. WOODS: It would have that effect, but all I am saying is, since nobody is making any contribution in this behalf, that a man who is getting $5,000 and who contributes $100 is getting out much more than his $900. He is getting much more than $900-worth in pension benefits he is getting for the future, over and above what he is getting for the past. His $900 in no way, shape or form makes any contribution to what I call the past service element. Therefore, if he does not make any contribution to it why should he, under a national plan, get more than a man earning $2,000, who also makes no contribution to it?

Mr. MUNRO: But there you are getting into the question of setting a flat rate. If one of the effects of it is that it does have the end effect of bringing down the benefits of this man in the $5.000 area that you are talking about, presumably you do not want to penalize the man in the lower income brackets. I was just figuring from your figures here in the case of a man earning $3,000 for the 10-year transitional period and who then retires. Based on a flat rate of $2,500 he would get approximately $54 a month, whereas if you set the flat rate at $3.000 he would have somewhere in the vicinity of $62. There is a difference of $8 to a man who is making—

Mr. WOODS: Quite frankly, I would not want to argue on the fixed rates. I just wanted to get the idea over. The reason this did not come from my firm is because I did not have the time in which to argue about it with the other actuaries. That flat rate could be anything you decide. It could be $3,000 if you wish it to be. There should be some element—

Mr. MUNRO: That is my point. You, in effect, were using this example. You are not recommending it—

Mr. WOODS: No, I did not have time to give any thought at all as to whether it should be $2,000, $2,200 or $2,500. Once the principle is accepted

then there are many people who are actuaries in the Department of Insurance who can give it far more time than I have been able to.

Mr. MUNRO: If you use the flat rate of $3,000 you would not be penalizing the man in the $3,000 area by incorporating your idea. I was wondering if you could say roughly, if you upped your flat rate of $2,500 to $3,000, how that would affect your equalization. In the fifth paragraph on page 4 of your brief you say:

> The financial strain imposed on the accumulating fund would be reduced.

That is incorporating your idea, because presumably the higher you raise the flat rate the less savings there will be in the fund.

Mr. WOODS: The higher you raise the flat rate the less the saving. I am assuming, of course, if a person's earnings were less than the flat rate you would not raise him to the flat rate, but on that principle you would raise the flat rate. If you raised it to $5,000, then there is no saving at all.

Mr. MUNRO: I noticed when you talked about the savings that would accrue to the fund by incorporating this, Mr. Woods, you indicated that the additional funds may result in our wanting to change our funding philosophy, or perhaps there might be some additional benefits, as you suggest, later on. I wonder if you have given any thought to reducing the contribution? Would you be in favour of it?

Mr. WOODS: I feel this should be done completely on a pay-as-you-go basis. I can see no justification for accumulating a fund at all in Government hands. As I mentioned, if anybody does not like the idea of passing the cost on to future generations, we have had some very, very substantial precedents.

Mr. FRANCIS: Yes.

Mr. MONTEITH: The witness this afternoon talked in the same way.

Mr. MUNRO: Yes, but other witnesses differed. I am interested to hear your observations on the pay-as-you-go basis. I do not think anybody is saying there is not a good deal of merit in it. The curious thing is that I can recall at one time one of the proposals that was advanced was that it would be a pay-as-you-go plan, and there was some considerable argument advanced at that time that this was not responsible, and that there should be some partial funding. This is an area of great controversy. We have had different witnesses advancing partial funding and full funding, and men, such as yourself, advancing the idea of pay-as-you-go. But, to get back to my question, I take it that if there was less strain on the fund by incorporating your idea, and which thus would have the result of increasing the fund, you would be in favour of reducing the contribution rate?

Mr. WOODS: Actually, I did not put anything in my brief with respect to funding or anything else because I assumed by now you are nauseated by the repetition. Frankly, I did not think I could add anything to this except these few remarks. If I were to become an economist I would say that if we are to compete with other nations in the world we have to cut down on our overhead. If you have an employer on a pay-as-you-go basis and another employer on a fully funded basis, then the first would have a definite advantage over the other. In all our dealings with employers we are just as interested in their working capital position as in the funding of their pension plans. The reason why an employer goes into business is not to set up a pension plan for his employees.

Mr. MUNRO: The idea of passing on obligations to future generations does not bother you at all?

Mr. WOODS: I remind you of the biblical adage of straining at a gnat and swallowing a camel. I do not know what the cost of the Second World War was,

but I think it was a little bit more than the cost of this Canada Pension Plan. That is not a reason why we should not have this plan.

Mr. KNOWLES: What is that?

Mr. WOODS: I am saying that the Second World War cost more than this plan. It is not the idea that we should not pass down to future generations the cost. I think that is ludicrous.

Mr. MUNRO: That is the basis of the wide difference in the opinions of men like yourself and many other actuaries and witnesses we have had before us to date, who have suggested in their briefs that it is the height of irresponsibility not to have some funding because we are, in effect, burdening our children with some horrible onus they will have to carry around with them for the rest of their lives.

Mr. PRITTIE: That is not the only reason why we are having funding.

Mr. MONTEITH: No, you are right.

Hon. Mr. CROLL: Mr. Woods, I am intrigued by your formula. My thinking about this pension plan is that it has had a fairly thorough going over by the department over a period of years. Actuaries and the best people available have been consulted. Surely in the course of it someone must have come up with this. You have been very frank with us, and very helpful. Tell me, what are the pitfalls in your formula?

Mr. WOODS: It disturbs me not to be modest. Obviously they have not soldiered all the best actuaries that are available. I cannot see a pitfall in this. I would not have put this in without a lot of thought. I did not add to it because I did not have time to give a lot of thought to other aspects and I preferred to put in something which I thought was important in a proper way, rather than diversify my thought and give something not worth anything at all. I cannot see anything wrong with this, to be frank with you. It was already mentioned in the report from Quebec, in the second of their reports, in principle. They deprecated the fact but unfortunately it seemed that by now the plan had obviously become their master, because they are completely helpless in its toils. The plan did this because it was obviously wrong and there is nothing they could do about it.

Hon. Mr. CROLL: And are we—

Mr. MONTEITH: Following suit?

Mr. WOODS: I am surprised that Quebec did not do something about it, because if they had, their fund would have accumulated faster than under the plan they have.

Hon. Mr. CROLL: Is the accumulation of the fund basically the difference?

Mr. WOODS: I had a feeling in the case of the Quebec plan that it was rather an important feature.

Hon. Mr. CROLL: They said that and they did not make any bones about it.

Mr. WOODS: But when it comes to national planning, it is completely wrong, it is completely illogical, it is the antithesis of the national planning, which is to give more to the needy and less to those not in need, this gives more to those who do not need it and less to those who do.

Hon. Mr. CROLL: What are the arguments on the other side, assuming there are not tenable arguments, assuming that somebody in the course of the last two or three years went through half a dozen?

Mr. WOODS: I did mention this at a meeting of the Canadian Pension Conference about six months ago and a certain individual on the panel said this was all very well but it was against the philosophy of the plan; and I almost got up and said what I thought of his philosophy, but I did not.

Hon. Mr. CROLL: Against the philosophy?

Mr. WOODS: Against the philosophy of the plan, which of course to my mind is utterly meaningless because if that is the philosophy of the plan, this is the plan of a private employer, not a nation. There is a different philosophy completely in national planning from that of an employer trying to produce pensions for his employees. An employer gives a man earning $100,000 a year a pension of $80,000 a year because that is the only way he can get rid of him, and he does not mind. It is quite inequitable that he should do that and that the man getting $5,000 a year should get only a $3,000 pension. The employer does that because he finds that it is the only way in which he achieves his purpose, by being able to get rid of people when he wants to do so. But that is not the philosophy of a nation, which is to try to help people who need it most and especially to help them in their retirement.

Hon. Mr. CROLL: We agree with you and that is what we would like to do. Within the compass of this plan, the only way we can help that forgotten nation is with your formula?

Mr. WOODS: No. This was not for the purpose of trying to help those, but I would like to see some more continuity between the people born in one decade and those born in the next decade. Those born between 1911 and 1921, so far as this plan is concerned, are very fortunate, because their employers are already committed to a very great extent to them and they are going to get this on top, and it is too late for the employers to do anything about it.

Hon. Mr. CROLL: When you say the employers are committed, I think the evidence before the committee has been 20, to 25 (per cent), the coverage in the labour force.

Mr. WOODS: As I mentioned to you before, senator, I have not got the figures, but even if one man had an advantage I think it is wrong. There is certainly more than one man going to get it, and I really cannot see why you should help a man earning $5,000 and over, when you are not giving enough to the person earning $2,000 and when you are giving nothing at all to those over 60.

Hon. Mr. CROLL: We have that evidence.

Hon. Mr. THORVALDSON: Senator Croll was asking about the pitfalls. In fact, I think he wonders, as do I, why this thing has not been seen before by someone else. Many other actuaries have worked on this. I give you credit of course for being very eminent in the profession. Someone was nasty enough to mention a pitfall to me the other day in regard to this and I would like to ask you about it. Looking at the top of page 3, taking your case, too, namely the man with the $5,000 earnings, he would have a vested interest of $15,200, would he not; whereas the other man would have a vested interest of $9,200. Far be it from me to suggest that a plan like this would ever be subject to political debate on the hustings; but would there not be a pressure group consisting of the men with $15,200 equity in favour of this plan as it is?

Mr. WOODS: I am always hopeful that once in a while a democratic government will actually come up with the right answer. They often do.

Hon. Mr. THORVALDSON: I think there would be quite a pressure group.

Mr. WOODS: I am quite sure there would, but I can see no reason for giving in to them, any more than giving in to a man to have access to the national revenue.

Hon. Mr. THORVALDSON: I agree with you.

Mr. WOODS: This is actually giving them that.

Mr. KNOWLES: In political terms, are there not more $3,000 people than $15,000 people?

Hon. Mr. THORVALDSON: The $15,000 people can become vocal.

Mr. Woods: The $15,000 people may be my clients.

Hon. Mr. Thorvaldson: I am in the Senate and do not know much about politics—

Mr. Cashin: Would a man of 40 on the average get less of a pension—and I am thinking in terms of 25 years from now—under your scheme than under the Canada Pension Plan?

Mr. Woods: Everyone would get a slightly lower pension under this basis if their average earnings were above the six figures, than they would have now. It depends on where you set the figures. If you set it at $1,000 it would drastically reduce everybody. If you made it $3,000 or $2,000 you would only draw down those earning $5,000 or $4,000. Where you set it I would hesitate to say as I have not gone into it completely enough.

Mr. Francis: It depends on the figure you choose for the flat rate in the earnings. You pull up the people with averages below it and you pull down the others with averages above it.

Mr. Woods: Whether you do or not, it is a question of maintaining the ceiling. You do not have to pull up the people, because you might have someone with nothing at all. You would affect the ceiling. Those with earnings below this will not be adversely affected. Those earning less than the fixed figure will have precisely the same benefits under this present plan.

Mr. Cashin: I appreciate your approach, because so many others have come with an inflexible approach, whereas your approach is indeed refreshing. Depending on the figure you pick, is there not some danger that the people who will be doing this will be substantially of the low income groups. Will these be relatively low income groups? The bulk of our population is between $3,000 and $5,000, which is not a very heavy income.

My second question is this. Through a flat rate benefit can we not accomplish the same thing you are asking us to do here in your plan?

Mr. Woods: You can have the flat rate benefit for every year of past service, if you wish. That is the way I tried to build the recommendation up in the first place, but this was now departing from the general manner in which the plan is being described. So I tried to maintain the idea of the 25 per cent pension benefit and adjust the average earnings upon which it was calculated. I would have liked to change it around to give a one half per cent benefit every year. As long as you understand the principle, it could be a flat rate benefit for each past year, if you wanted it, and then one half per cent on the earnings upon which contributions are made for each future year.

Mr. Cashin: But in comparing this to Bill C-136 you are concerned with redistribution. Is it not possible by a flat benefit rate now to accomplish this redistribution, whatever it amounts to?

Mr. Woods: You mean not to have earnings for a later benefit at all?

Mr. Cashin: No, the two together which are in force now. The problem with this suggestion, as I see it, and it may not be valid at all, is that as incomes rise with productivity, and one thing or another, we would hope that the figure we might now pick as the minimum figure would be one that became obsolete.

Mr. Woods: Wait a second; I did not say that. I said that on the assumption that in all cases the average earnings adjusted to the first of January 1966 would be $2,000; and that would, like anything else, be subject to later adjustment. I spent quite a bit of time on this one sentence, and changed it around, the idea being that $2,000 will be the figure as at January 1, 1966, and that would be adjusted by any such cost of living income you might have. I am glad you raised the point so that I could clarify that. I am not assuming that when everything is going up the plan would remain like a piece of cold suet pudding.

The CHAIRMAN (*Mr. Cameron*): Mr. Lloyd?

Mr. LLOYD: On page 4 in the third paragraph you say if the average last ten years earnings were less than the fixed figure, the former only would be used. Are you referring to the ten years of the transitional period from the time the plan starts, or referring to a ten year period prior to—

Mr. WOODS: No. Actually I am taking the example of a man of 55. It would be the normal period during which the average man of 55 would be taken.

Mr. LLOYD: Under the present plan, as I understand it, you enjoy no benefit unless you are a contributor?

Mr. WOODS: That is right.

Mr. LLOYD: So you start out in 1966 at a maximum of $5,000 income, say, and you have paid in $79.20 a year. Then you are entitled the next year, if you go on pension, to only one-tenth of the 25 per cent of the $5,000, the next year two-tenths—three-tenths, four-tenths, and so on. So during this transitional period people are in fact paying in moneys in proportion to their salaries, and in the same way everybody will be paying in moneys in proportion to their salaries. I think earlier you said some would get a pension for which they would pay nothing. You did not mean that?

Mr. WOODS: No. I have taken a man aged 55, in general terms.

Mr. LLOYD: Well, I am 56.

Mr. WOODS: Congratulations. The point is that we are both getting 22½ per cent. In our case we will get 22½ per cent of the average over the nine years we contribute, in effect. Now, if we contribute nine times $79.20, we shall contribute $720. If we were to regard our pension as being 4 per cent our future service benefit will be 4½ per cent of $5,000, which is about $225 a year. That in itself is worth more than the $800 we contribute, so all our past service benefit is just free as far as we are concerned; and I say it is necessary to consider what I care to call the "future service element" in this plan to ensure against anybody making no contribution at all to this past service element, and therefore it should not be wage related.

Mr. LLOYD: Well, in the case of the person who earns less than your maximum figure—and I think you have taken $2,000 for the purposes of your model?

Mr. WOODS: Yes.

Mr. LLOYD: What about a person who earns in the first year of the transitional period, $1,500. I think you said earlier that that would be up to us to decide whether we would take the smaller amount or not. Do you have any recommendations to make?

Mr. WOODS: Actually, I was assuming you would take the average earnings over the average period. If that happened to be less than the fixed figure you showed, whether you built the man up to $2,000, is a matter for consideration. Personally, I think if you did that you would have an awful problem with those earning nothing at all. I mention it as a possibility. Personally, my idea would be that this figure would be a ceiling and not a floor.

Mr. LLOYD: This could work two ways. It depends on what happens to you and Stanley Knowles. In 1967 we might find ourselves in other occupations. We might be scratching for $1,200 a year; or there may be an illness.

Mr. WOODS: You would have the disability pension coming to you, would you not? I know that disability is a very difficult situation, but it is even more reason if a man is earning $2,000, because he certainly needs it more than the man who is earning $5,000.

Mr. LLOYD: Then what you are saying in effect is that at 55, in 1966, when this plan starts, if a man is earning $5,000 a year, in the first year the

plan is in force he will be credited with a maximum of $2,000 under your model?

Mr. WOODS: Oh, no. I describe on the first page of my brief an example of how I do this. Let us say there is no dropout period at all. I would say that to work out his average earnings between 18 and 65, a period of 47 years, on the understanding that if $2,000 is your figure, that in the first 37 years he would earn $3,700 a year, and in the last five years, $5,000 a year. Therefore, if you take 37, and $2,000 plus ten times $5,000 and divide by 47, you get the average.

Mr. LLOYD: What would you do with the man who retires two years after at age 68, what would his benefits be?

Mr. WOODS: In that case a 47 maximum.

Mr. LLOYD: Are you going to credit him on the past service on the basis of $2,000 a year maximum?

Mr. WOODS: No, this is working out the average earnings. He still will get 2½ per cent of a certain average.

The CHAIRMAN (*Mr. Cameron*): Mr. Munro?

Mr. MUNRO: I think Mr. Woods has answered my question to Mr. Lloyd. However, I will see if I have it clear. On page 4 in the third paragraph it says that if the average last ten years earnings were less than the fixed figure the former only would be used. Are you referring to the transition period there?

Mr. WOODS: No, I am actually just referring to the man aged 55. If he is 50, and his last 15 years earnings were $2,000, in other words, his earnings up to January 1966, in this case the man aged 50 would have, ignoring the dropout period, 32 years; a man of 55 would have 37 years, plus 10 at $5,000.

Mr. MUNRO: What about the man of 60?

Mr. WOODS: He would have 42 years at $2,000, and five at $5,000. You see, this blends in completely.

Mr. MUNRO: Say the man is 60; he would be reduced. You would have some reducing factor in there. Under the present plan, if during the 10-year transitional period, to take the case of a man at $5,000, when the plan comes into effect he is, say, 64 and only contributes for one year. He has earned $5,000 for the 10 years previous to that, he has average earnings over the 10 years of $5,000, and for the purpose of that one year his benefit would be $500 under the present plan.

Mr. WOODS: Yes. Under mine it would not be. In other words, he gets one-tenth. Your man gets one-tenth of 25 per cent of his average earnings.

Mr. MUNRO: Right.

Mr. WOODS: 2½ per cent.

Mr. MUNRO: Yes.

Mr. WOODS: You are saying $5,000. Work out his average earnings if he only contributed one year before retiring, and taking 47 years for his retirement his average earnings would be 46 times $2,000 plus once times $5,000 divided by 47 years.

Mr. MUNRO: What would that be?

Mr. WOODS: Do you think I am an I.B.M. machine? It would be a little over $2,000. In other words, he would get a little over $2,000 instead of 2½ per cent of $5,000. Even that is an awful lot more than his one-year contribution. A similar man earning $3,000 would get almost the same amount. Under this system he could only get 60 per cent of your man earning $5,000, and that is inequitable.

Mr. MUNRO: I was coming to the conclusion that in the transitional period there would be a larger benefit.

Mr. WOODS: No. The whole principle of continuity is an essential fundamental of pension planning, and this will be completely continuous.

Mr. KNOWLES: Mr. Chairman, I have already expressed my interest in Mr. Woods' proposal and my appreciation of his support of certain principles which are common between his proposal and the basic ideas of the plan. But I think Senator Croll has asked an appropriate question. Is not there a pitfall somewhere? I think there is one, despite the fact our friend the witness does not see one. Maybe this is a difference in philosophy. As I see it, this is the pitfall. Your scheme brings many people or brings some people down so far as their benefit under the Canada Pension Plan is concerned. In fact, for 47 years it will bring down everybody whose income in this period after 66 was above the $2,000 figure, or whatever flat figure we set.

Hon. Mr. CROLL: That is correct.

Mr. KNOWLES: It will bring some people down. In fact, it will bring everybody down, if I may repeat it, who in the period of actual contributions was receiving an income higher than the average figure we set for past service.

Mr. WOODS: Yes.

Mr. KNOWLES: The other side of the coin is that your scheme does not bring everybody up.

Mr. WOODS: All you have to do is increase your 25 per cent to 30 per cent and bring some up and some down.

Mr. KNOWLES: You scheme, as far as the Canada Pension Plan is concerned, does not bring anybody up. You could save money, so we could make a decision, if we saw fit, to bring some people up.

Mr. WOODS: I think we are all venturing into the unknown. I do not think any witness, including myself, and I very respectfully submit neither do you know precisely what we are getting into. We are starting something new. These things, once you start them, tend to grow like Topsy. I do not regard this as being too bad a feature, that we start the plan up at a little lower level than we have done. The first version of the Canada Pension Plan was a lot lower than this. The first version put forward by the Government was a lot less than this. This is far more generous than the one criticized a year ago. I do not regard the level of benefits you set as sacrosanct. I am trying to get into it an element of national and not private pension planning. If the benefits do come a little further down below, I do not regard it as a defect. I do not regard the levels they have already set as something below which anyone cannot go.

Mr. KNOWLES: I do not regard as unfair Mr. Woods' comment that no one knows what we are getting into.

Mr. WOODS: I say that with due respect.

Mr. KNOWLES: I think that is a fair comment. There is not a doubt in the world that over the course of the years we will me making amendments to this plan to try and improve it, but I do think, with the same respect you have shown for us, that the comment I have made stands up and we have to look at it in those terms. As a matter of fact, it was your purpose to resolve the disparity by bringing down the benefits under the Canada Pension Plan in the earlier years. You were good enough to say you thought some of the savings effected thereby should be used to take care of the lost generation and increase old age security, and that sort of thing. But as far as this ingenious formula of yours in connection with the Canada Pension Plan itself is concerned, is not my suggestion correct, that it brings many down to a lower level but it does not in itself bring anybody up?

Mr. Woods: It does bring up the people you have forgotten.

Hon. Mr. Croll: Whom?

Mr. Woods: The ones 60 years and over, if you care to extend your group.

Mr. Knowles: That is only if you are prepared to accept the ancilliary provisions in the last paragraph.

Mr. Woods: That is completely supplementary to my main concept. If that is completely out of the picture—and I did not bring this thing in for that particular purpose—if you are concerned with bringing everybody down, the answer, I believe, is to increase the 25 per cent to 30 per cent. I am not advocating it, but I think it would be a much sounder method to take my suggestion and increase the 25 per cent to 30 per cent and bringing somebody down and somebody up, to get a more corresponding level than leaving the formula as it is.

Mr. Knowles: We are not very far apart, if the supplementary feature is included in the provision. I do not think I could buy it if it brought some down and did not bring anybody up. If the proposition in its entirety was put forward to use the savings to bring some up...

Mr. Woods: I was looking for a principle. I brought forward a principle I think you should follow. How you give flesh to that is a matter for you to decide. In other words, the principle should be followed, and if you brought everybody down and found that was wrong, you could correct that by increasing the percentage.

Mr. Knowles: In terms of the principle or philosophy, I was interested in your remarks some minutes ago—I believe it was also in answer to Senator Croll—to the effect that at one of the pension conferences this question was asked and the reply you got was that your proposal did not meet the philisophy of the other people. I think you said you were not quite sure what that philosophy was.

Mr. Woods: I was, and I thought it was false, because it was the philosophy of the private pension plan, which is out of place in your national planning. It is against the philosophy of the private employer to introduce this because it does not produce large enough pensions for his executives, and he has to give them pensions proportionate to their earnings, even though they only pay a minor part of it, because when they cease to be valuable to him the employer, in a cold-blooded corporation, wants to be able to say, "You must retire now" and there are no hard feelings. They want to give $70,000 to, a man earning $100,000 a year, the man earning $10,000 a year, $7,000, and a man earning $5,000, $3,500. They give far more to the man earning $100.000, who needs it least, but they have to for their purposes, to be able to retire people. That is the answer which was the pitfall, if you like, but it is not the philosophy you should be following.

Mr. Knowles: Let us stick with the area in which we are operating. We are not providing under Bill C-136 any pension credits for income beyond $5,000.

Mr. Woods: Yes.

Mr. Knowles: So the $100,000-man gets no more than the $5,000-man.

Mr. Woods: Yes, I illustrated to the principle.

Mr. Knowles: I agree we should look at the principle and the philosophy. I agree there is validity to the principle you have put forward tonight. But isn't there also some validity to what I think is the philosophy behind Bill C-136, namely that it is reasonable to relate the earnings related pension of a public pension plan to the earnings that a person actually had in his last years of employment? Isn't that the reason for the 10-year transitional period?

Mr. Woods: All I am saying is that the proportion should be a proportion of the pension plan related to the years during which he contributes.

I don't see the justification for two people both 55, one getting $3,000 and one getting $5,000. The $5,000 man only contributes $900 and in effect he gets a pension worth something like $16,000, so that the excess of the value of the benefits he gets over what he contributes is $15,200, whereas the man earning $3,000, who I assume needs public support more than the other one, is only going to get less than 60 per cent of that.

Mr. Knowles: I agree with this approach to a more egalitarian basis, but may I point out two things: one, that this is part of a two-stage plan so that the difference is mitigated somewhat when you add old age security in both cases; and the other comment I make is that I have a little lurking fear. I realize you say that the rates in this bill are not sacrosanct, but I have a little lurking fear that if we start off with less than what we are now providing, it is going to take us just that much longer to get the pension up to adequacy.

Mr. Woods: As I say, that is very much so. Once you accept this, the answer is very obvious. However, there is nothing sancrosanct in 25 per cent either; it could be made 30 per cent. And, if you want to spend the same amount, the actuary departments of insurance companies could easily calculate what it would be on this new insurance and give you a cost, and you would have brought the pension up to an adequate figure, for those who need it more than others.

Mr. Knowles: I will quit on the welcome note that it is possible on any scheme to improve it as you go along.

Mr. Côté (*Longueuil*): After Mr. Knowles' remark that your plan would not give any more to anybody, but would take some off some people, suppose that instead of using that $2,000 average as a ceiling you would give the $2,000 to everybody, even the people who did not earn that much?

Mr. Woods: I had mentioned this as a possibility, but here you have the problem of the farmer and the farmer's wife, and the problem of people earning $500 a year. Where do you draw the line?

Mr. Côté (*Longueuil*): Would it not be just as hard to find an average of those low income people? An average of that earning period?

Mr. Woods: You have no greater problem for the future than under the present plan. You work out the average over the period that your plan would work it out on as it is now, and you only apply this if that average exceeds the ideal figure, where the average is less than you have already, and then you leave your present plan completely changed.

Hon. Mr. Croll: Don't let me put words in your mouth, Mr. Woods, but I understood you to say—and correct me if I am wrong—that this formula responds to national planning. I think you were saying that, were you not?

Mr. Woods: Yes.

Hon. Mr. Croll: Yes, then how do you reconcile national planning, Mr. Woods, with nothing for the people over 70?

Mr. Woods: I don't. That is why I suggest that those of the forgotten generation are those for whom you should do more.

Hon. Mr. Croll: Are we not going to some length to do that under the present plan? Any suggestions you make are outside anything we have got at the moment, so that we are bound to do something for them. Whatever that may be I don't know; but at least nothing in your formula helps them and you don't suggest it does. I just wanted to be clear.

Mr. Woods: Actually speaking, I did suggest it, but I was quite sure you would not go to that extent. But it could be applied. If actually you were to increase the pensions of those aged 70 by a flat amount, you would find that that actually would blend much beter with my formula than it would with the formula of this plan.

Hon. Mr. Croll: You say that under your formula it would be a closer blend. There would be less of a differential?

Mr. Woods: Yes, in people born in 1900, 1910 and 1920—if you raise the people over the age of 70 by a flat amount.

Hon. Mr. Croll: Play with a couple of figures as examples, please, if you can, Mr. Woods.

Mr. Woods: Well, on the basis we have mentioned, the man who is 64 under this plan and contributes for one year, if he earned $5,000, he would get 2½ per cent of $5,000. Under my formula, if $2,000 was the figure, he would get 2½ per cent of $2,000. That is another $50 a year.

Maybe he needs a bit of support as well, but I don't know how far you are going to bring your people aged 70 who are getting nothing out of this plan. You have to tell me what you are thinking of adding to them first before I can show you the continuity.

Hon. Mr. Croll: There is evidence before us by some very knowledgeable people here who are many years in the social security field, and they have indicated that there is a strong feeling that $5 a month for each year up would do; there has been some good evidence on that.

Mr. Woods: It is a very, very difficult problem. I mean it is very difficult to think these things out because they are very far-reaching. I am quite sure, though, that if you are going to increase your people aged 70 by a flat amount, that this blends much more easily into my own formula here which does give a flat amount for all past services.

Hon. Mr. Croll: That is the only way we could increase it to those over 70.

Mr. Woods: Yes, and therefore if you want to do that it will blend in far more harmoniously with my formula than it will with the present formula. That I can assure you, because I can see the principles involved without any difficulty or doubt.

Mr. Munro: Just one supplementary question to what Mr. Knowles was asking, which was a very interesting question. Mr. Knowles stated that one thing about this plan is that it does not add anything to the context of the present Canada Pension Plan, but it takes away.

Now, would this be correct? Take a man with an average income of $5,000 a year and you set a maximum flat rate at $4,000. This would not take anything away from anybody earning an average income of $4,000 or less, but it would take away from the $4,000 to $5,000 area.

Mr. Francis: Yes, for a period.

Mr. Woods: That is right, for a period.

Mr. Knowles: But, again, it would not bring anybody up from below that.

Mr. Munro: But by increasing the flat rate you do not take anything away from the people underneath that flat rate.

Mr. Lloyd: You don't do anything for that vast number of people who are supposed to be unfortunate.

Mr. Woods: The answer there is within the same cost figures that you are talking about now. By using this and using 30 per cent you can rearrange

it so that this unfortunate group you are referring to are given more under this plan than under the other only to the detriment of the people earning $5,000 or more, who would get the less amount. You will bring up the pensions of those who need it most to the detriment of those who don't need it quite as much.

Mr. LLOYD: This is only for a transitional period you are proposing.

Mr. WOODS: This will go on and gradually merge and, if the plan never changes, it will only end 47 years from now.

Mr. LLOYD: It will eventually end. You eventually work yourself out of it.

Mr. WOODS: That is right, but that is what happens with every plan. When you institute the plan, when the youngest new member comes in the effect of the initial stages disappears, but not until then.

The CHAIRMAN (*Mr. Cameron*): What effect would it have on the funding principle if we gave consideration to allowances for people over 65?

Mr. WOODS: I do not know. Obviously it would be a very material cost because they would be entering upon their pensions immediately and, of course, the effect of the force of interest is to cut down on the value of pensions which are to be deferred many years hence. I will say it would add materially to the plan, and consequently may force the plan on to a pay-as-you-go basis.

The CHAIRMAN (*Mr. Cameron*): Are there any more questions? Is everybody satisfied? May I then ask somebody to move a motion of thanks to Mr. Woods?

Mr. MUNRO: I so move, Mr. Chairman. Thank you very much, Mr. Woods, for a most enlightening contribution. I am sure we all appreciate it very much.

Mr. KNOWLES: I second the motion, Mr. Chairman.

The CHAIRMAN (*Mr. Cameron*): All those in favour? Carried.

Mr. WOODS: I should like to say that this has been a most interesting evening for me as well.

The CHAIRMAN (*Mr. Cameron*): I am sure, Mr. Woods, you must have realized how much we have enjoyed it, and also the keen interest we have taken in your presentation. The commitee will meet again tomorrow morning at 10 o'clock.

APPENDIX A13

THE E. B. EDDY COMPANY SUBMISSION TO THE JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS CONCERNING BILL C-136

(January 6, 1965)

Gentlemen:

The E. B. Eddy Company submission will be brief and, for this reason alone, should be welcome. Much has been said in both Houses and before this Committee, and the discussions will continue.

It is not within our competence to examine the actuarial soundness of Bill C-136. Experts from the departments have prepared the many tables relating to it. These, and the arguments supporting them, are being critically reviewed by those more capable of doing so. Therefore our comments will be of a general nature.

We believe that the members of both Houses and Provincial Governments feel themselves to be committed to a pension plan essentially as tabled. Therefore, anything we have to say will not be rewarded by fundamental alterations. Nevertheless we, being substantial employers and a segment of an important industry, should say our piece.

We have a pension plan, fully funded and providing recognized and appreciated benefits to our personnel. If we were to consider major changes, requiring broader coverage and benefits not previously considered, we would not devise an additional pension plan. Our approach would be to alter the one we have. We would see no reason to complicate administration, greatly adding to its costs and problems. It is our opinion that this viewpoint would not be uncommon among others (business and financial houses) attempting to improve their pension coverages. We have felt that the sponsors of Bill C-136 could have, with justification, misgivings as to the need for a unique and separate plan.

Canada now has an old age pension scheme. This could have been enlarged, made more encompassing, providing at the same time simplicity of structure, which would lead to its more ready understanding and acceptance.

Judging from reported discussions on this Bill, we must anticipate great confusion on behalf of our employees, together with much difficulty and expense in reconciling the plan throughout our day-to-day operations. Questions, correspondence, and detail will be massive. Those learned in the ways of finance and insurance have already demonstrated that the plan is not easily digested; and they have great experience. How, then, can we expect a man earning $600.00 or upwards to be clear as to what he should contribute, what he will receive, and when? It should not be overlooked that the cost of collecting from those in the lower income brackets might well surpass the returns.

It is proposed that the cost of living index be used as an adjustment factor. If we were to argue against this principle, we would contend that there has been a question in many minds as to the appropriateness of the items comprising this index. These have been changed in the past and might well be found an unsound measure in the future. Accepting the index as the best available guide, is it unreasonable to suggest that it also be applied to other items of livelihood; for example: bond and bank interest, other pension plans, rents, prices, wages and salaries? The list could be expanded, but perhaps we have made the point.

Governments have a responsibility to provide freedom from want for the aged and troubled. Beyond this, individual initiative and foresight should be encouraged. Man has always saved seed grain for next year's crop; he stored

vegetables and cut wood to tide him over the winter; otherwise he suffered. These principles are as sound today as ever and his eyes should not be diverted from them.

We make these further comments:

1. Demand for refunds will be heavy, caused by two employers in the one year contributing more than an employee should pay. An employee can obtain a refund, and presumbaly there will also be redress for the employer. However, money will be paid which both parties know is not due; and will be returned in time and at expense. Much of this will be collected from those least able to part with it. Couldn't a method be devised preventing overpayment? An exchange of records would be practical.

2. The problems of integration are treated much too lightly in the Government White Paper. Consultants and our own experience warn us that there will be considerable grief.

3. Our mills are situated in two provinces, Quebec and Ontario, separated only by the Ottawa River. Many of our employees reside in one province and report to work in the other, while some of our employees are frequently transferred between the two provinces during their engagement.

Due to our unique location, we are immediately and dramatically affected by any loosely defined areas in Provincial or Federal Acts. Over the years we and our employees have experienced much inconvenience and, at times, encountered significant duplication of assessments because more than one jurisdiction was involved.

A clause in Bill C-136 illustrates one of the difficulties we foresee:

> "Item 4, Parts (1)-(4), exempts from certain provisions of the Canada Pension Plan, those employees in a province providing a comprehensive pension plan. It prescribes that the identity of an employee in a province providing a comprehensive pension plan is to be determined by the location of the establishment of his employer to which he reports for work and indicates that where the employee is not required to report for work at any establishment of his employer, that he shall be deemed to be employed in the province in which the establishment of his employer from which his remuneration is paid, is situated."

This very definition was originally prescribed to identify those employees who would be subject to Ontario or Quebec personal income taxes. Subsequently, after two years of confusion, this definition was proven to be completely inadequate and it was belatedly abandoned in favour of identity by reason of residence in a province on the last day of the year.

Presumably, this latter means of identification should be adopted, from the outset, by the Canada Pension Plan, for the determination of employees employed in a province providing a comprehensive pension plan.

4. If there are distinct Federal and Provincial plans administered under separate jurisdictions, the Federal Government should act as an interested party in reducing to the barest minimum conflicting or roughly defined provisions.

5. The problems of integration are multiplied in our case, particularly if the Federal and the two Provincial Governments have individual plans, even though they be similar.

Admittedly, such situations as ours are rare, but this point deserves attention or complications, which might take years to adjust, will develop.

In any event, our administrative costs will be considerably greater than for most companies.

6. Administrative methods are, as yet, unknown and many of them in all probability have yet to be worked out. This comment might also apply to the plans which Provincial Governments have under consideration. It should not be too much to ask that the methods to be proposed be announced before Bill C-136 is adopted, thus providing for improvement in detail, if it is demonstrated that these would be in the interest of all parties.

We leave to others discussions pertaining to:

(*a*) The economics and actuarial soundness of the Plan.

(*b*) The worth and dangers of accumulated funds.

(*c*) The release and return of these from Provincial Governments.

(*d*) The effect upon industry's source of funds for expansion purposes.

(*e*) The fact that we become a multi-pensioned people with federal, provincial, industrial programmes, plus annuities and other private undertakings.

(*f*) The effect on export costs and the competitive position which we are urged to attain.

(*g*) Pressures for adjustments, which inevitably will follow.

(*h*) The whole field of integration with private plans, including labour's attitude.

(*i*) Long term effects of compulsory saving on the individual and his attitude toward the future.

(*j*) The encouragement to rising costs, which a built in cost of living index might provide.

All of which is respectfully submitted.

THE E. B. EDDY COMPANY
W. D. Moffatt,
President.

APPENDIX A14

SUBMISSION

By The Canadian Pulp and Paper Association
(15 January 1965)

1. *Introduction*

The Canadian Pulp and Paper Association appreciates this opportunity of commenting on the proposed Canada Pension Plan.

The pulp and paper industry is a major contributor to the Canadian economy. The industry produces an annual output valued at 1.8 billion dollars, of which two-thirds are exports. It is also one of the leading manufacturing industries in terms of employment, and almost all of the employees are covered by private pension plans which have been in effect for a number of years. The pulp and paper industry therefore is closely concerned with the impact of the Canada Pension Plan both on the general economy and on existing private pension plans.

2. *Impact on The Industry*

Official reports indicate that the cost of the Canada Pension Plan will rise from an initial level of 3.6% of contributory earnings to about 5.5% of contributory earnings by the year 2000. We must leave to those who have special actuarial knowledge any debate about the accuracy of these figures. We assume therefore that the figures are correct and indicate the order of magnitude of increased costs, provided there are no major revisions in the plan as the years go by.

We also assume that our member companies will be able to integrate the Canada Pension Plan with their own private pension plans in such a way as to maintain a satisfactory level of pensions for their employees without significantly increasing the cost of the employees or the companies.

If the actuarial assumptions as to the cost of the Canada Pension Plan are correct, and if the pulp and paper industry is able to achieve satisfactory integration with existing private plans, the cost of the Canada Pension Plan will not be detrimental to our industry.

3. *Necessity For Integration With Private Plans*

We believe that it is important that integration should take place. We recommend therefore that the Joint Committee consider making a statement that, where satisfactory private pension plans now exist, it is desirable that the Canada Pension Plan be combined with the private plan in such a way that there is protection of the existing level of benefits with no additional cost being imposed on the employee or the employer. We believe that such a statement would make a valuable contribution to the formulation of public opinion on the matter, and that it would be consistent with the announced intention of the federal government to integrate with the Canada Pension Plan its existing superannuation plan covering civil servants.

4. *Reconciliation With The Provinces*

We would like to emphasize that it is essential that federal authorities seek full agreement with the authorities of any province opting out of the Canada Pension Plan. It is very important that, if a provincial pension plan is not identical with the Canada Pension Plan, there should be complete understanding as to the treatment of employees who move from one province to another.

Even for provinces which do not opt out of the Canada Pension Plan, careful reconciliation may be needed to avoid wasteful duplication with other provincial programs such as Workmen's Compensation.

5. *Relation to Other Welfare Objectives*

There has been considerable opinion recently, perhaps inspired by contemplation of the Canada Pension Plan, that there should have been an overall review of social welfare needs in Canada, with the intent of establishing an order of priority among such items as medi-care, education, and pensions. Each of these subjects has been reviewed by various commissions or individuals, but without any attempt to bring them together and consider the total cost implications for the economy.

It would appear, however, from the unanimous parliamentary acceptance of the principle of the Canada Pension Plan, that the order of priority has now been established, at least insofar as the first choice is concerned. We believe that there should now be a pause until a complete review of the further social welfare objectives of Canada can be completed. We believe moreover that it is obvious that when such a review is undertaken it should have as the starting point for its economic analysis the implications already foreseen for the Canada Pension Plan.

6. *Control Over Adjustments to The Plan*

We stress the importance of stringent control over the ease with which the Canada Pension Plan may be altered in the future. Bill C-136 provides that no major amendment to the Act can come into force on a day earlier than the first day of the third year following the year in which notice of the intention to amend the Plan is laid before Parliament. We recommend that the reference to "third year" be altered to "sixth year", in order to ensure that at least one general election takes place between the time that the notice of amendment is given and the time that the amendment comes into effect.

7. *Advance Publication of Regulations*

We recommend that provision be made for public scrutiny of the Regulations which will be issued concerning the implementation and operation of the Canada Pension Plan (e.g. with respect to collection of contributions, payment of benefits, and the relationship between the Plan and any provincial pension plan). Such Regulations should first be published in draft form so that representations could be made to a committee such as this Joint Committee, or some other appropriate federal authority. This procedure would have the advantage of enabling employers to anticipate administrative difficulties, and it would provide an opportunity to prevent difficulties from arising.

Four examples are:

(*a*) The administrative costs of making payroll deductions on different bases for various purposes (such as the Canada Pension Plan, the Income Tax, Unemployment Insurance, etc.) are substantial. Perhaps a Regulation under the Plan could combine the collection of contributions with other payroll deductions?

(*b*) An Administrative problem occurs from the fact that no deduction is to be made from earnings beyond the $5,000 level. In any pay period during which the $5,000 level has been reached a fractional deduction would be required, and no further deductions then would be made. Possibly there is a way to avoid the amount of record keeping which seems to be involved in this procedure.

(*c*) There is some doubt as to whether contributions should be submitted to the Canada Pension Plan or to a corresponding provincial

plan in the case of an employee who, while working for the same company, moves from one province to another during the year. In the case of an employee earning more than the year's maximum pensionable earnings, what proportion of the contributions is to be submitted to each authority?

(*d*) In the case of an employee who changes his employment during the course of a year, what proportions of his total contribution will be required to be made by each employer? This question is particularly relevant to woods workers in the pulp and paper industry.

8. *Summary*

If the costs of the Canda Pension Plan do not exceed those presently forecast (i.e. commencing at 3.6% of contributory earnings and reaching 5.5% in the year 2000), and if our companies are able to achieve satisfactory integration of the Plan with their existing private plans, the costs of the Plan will not be detrimental to the pulp and paper industry.

We recommend that:

(1) The Joint Committee make a statement that integration of company pension plans and the Canada Pension Plan should be expected,

(2) There be at least five year's delay between notice to amend the Act and the amendment coming into effect,

(3) The Joint Committee underline the importance of detailed agreement between the federal authorities and the provincial authorities on the administration of their respective pension plans,

(4) The regulations essential to the administration of the plan be published in draft form, and provision be made for public review before they come into effect.

APPENDIX A15

STATEMENT BY THE CANADIAN FEDERATION OF AGRICULTURE

Sirs:

The Canadian Federation of Agriculture has over many years favoured the institution of a contributory pension plan in Canada, and welcomes the fact that such a plan is now before Parliament. We hope it will soon become part of the Canadian social security system.

On the introduction by the Government of Canada of the first Bill setting out a Canada Pension Plan, the Canadian Federation of Agriculture reviewed its provisions and made strong representations to the government and to Members of Parliament that the coverage of self-employed people, including farmers, should be on a compulsory, rather than on a voluntary basis. We are therefore very glad to see that the present Bill provides for coverage on this basis, and are gratified that in Parliament the Minister of Health and Welfare noted our organization's position in this respect. It was our view, and still is, that with the passage of the years a system of optional participation would result in nothing but trouble and inequity, and that many of those most needing a pension income would find themselves altogether deprived of one, apart from the flat rate old age pension.

It was the view of our Board of Directors, also, that there should be no lower limit below which self-employed people are not credited with pensionable earnings for purposes of future calculation of pension rates. For one thing, the logic of the "Year's Basic Exemption" system, it seems to us, is at least that if a person earns only the amount of that exemption he should be credited with income for the year of the amount of the exemption, and not with zero, which we understand is the way the plan works now. In short, we do not think there should be anyone who may not be credited with an income for pension purposes in any year.

One other specific point we wish to raise has to do with the calculation of the pensionable income of self-employed persons. Section B of the Bill seems to us to define income according to the terms of the Income Tax Act. We take it that this means that when a farmer adopts averaging, then his averaged income will be, also, his income for pension purposes. If this is not so the Act should be revised to make it so. With the extreme variability of many farm incomes, there will be many farmers whose income will fluctuate above and below the maximum pensionable earnings figure. If averaging, for pension purposes, is not permitted, the farmer who experiences such fluctuations will certainly end up with a considerably smaller pension.

APPENDIX A16

BRIEF

Prepared by: R. C. Dowsett, Fellow of the Society of Actuaries.
(December 29, 1964.)

FOREWORD

I was born and raised and now reside in Toronto. I am married and the father of three children.

I graduated from the Honour Mathematics and Physics course, University of Toronto, in 1950; in 1954, I qualified by examination as a Fellow of the Society of Actuaries. Since 1950 I have been employed by the Crown Life Insurance Company in various actuarial positions.

I have prepared this brief as a private individual, and I present it to the Joint Committee on behalf of my family and myself. In making this presentation I do not represent the Crown Life Insurance Company; I do not represent any insurance industry trade association. The views expressed are my own, and I present them as a Canadian citizen concerned about the future of Canada, and about the environment in which my children will live and work.

It is my belief that actuaries—trained as they are in the various co-operative risk-sharing programs involving contingencies of life—have a good understanding of the considerations involved in social pension planning, and also have a measure of social responsibility to speak out on government pension proposals.

It has been said that the criticisms of the Canada Pension Plan raised by actuaries, and by others employed in the life insurance and pension field, are just the "howlings of vested interests, concerned at the prospect of some loss of earning power". This is unfortunate because many of these men are deeply involved with, and have wide experience in, the design and operation of a great variety of pension programs, and other programs designed to ease the financial burdens arising from major events in life—parenthood, accidents, illness, unemployment, retirement, and death. Their comments should be helpful.

When, as responsible Canadians, these persons speak out on social welfare measures, their observations should be heeded! Surely we can expect some selflessness and good social conscience in this group of Canadians.

The following brief on Bill C-136 has been prepared with these thoughts in mind.

GENERAL CRITICISMS OF BILL C-136

In its currently proposed form, the Canada Pension Plan would have some very important advantages. Widows benefits and orphans benefits, provided on a modest basis, are desirable; also, some method should be found to increase the total social pension available for some older persons under 70 years of age.

However, the Canada Pension Plan has serious shortcomings as a social welfare measure because:

(*a*) While it would be established to provide needed extra income for the aged, it would provide no additional income, in excess of Old Age Security pensions for those Canadians now over age 69 years, and it would provide no additional income for a great many Canadians under age 70 years who will not in the future make contributions to it.

(*b*) It would involve the build-up of a so-called pension reserve fund the assets of which would be placed under the control of provincial governments; this would be the object of much political controversy in the future.

(*c*) It would not be financed purely on a pay-as-you-go basis.

(*d*) It purports to be a "contributory plan" apparently giving a benefit refund to a contributor which has a value approximately proportional to his contributions, while in fact extensive cross-subsidies would be involved; the contributory principle is suggested but not really followed.

(*e*) The "contributory" aspect of the Canada Pension Plan—whether real or only implied—would make it very difficult for some future government or governments to reduce the burden to be borne by the Canadian economy through reduction in benefits.

(*f*) The long term combined tax requirements of the Canada Pension Plan and the Old Age Security program could prove to be a stifling burden for Canada.

In the following discussion, these criticisms of Bill C-136 are developed under five headings:

I. What are the priorities for social measures requiring tax revenues?

II. A social pension program related to wage levels need not be a "contributory" program.

III. Some changes in the scope of the Canada Pension Plan—1964 version as opposed to 1963 version—and comments on "Partial Funding".

IV. Combined long-range cost estimates—Canada Pension Plan and Old Age Security Benefits.

V. Conclusions.

No discussion has been set forth concerning the advantages and disadvantages of indexing (which may tend to promote an inflationary atmosphere in the economy), disability pensions (which may prove to be very expensive to administer through government agencies, due to the lack of vitally interested claim supervision).

I. *What are the priorities for social measures requiring tax revenues?*

1. At the time of second reading of Bill C-136, Miss LaMarsh said "Our objective is to have as comprehensive coverage as possible"; and in testifying before the Joint Committee Miss LaMarsh said "I can say that all major parties in this country have said they believe in a comprehensive plan to apply to as many people as possible in this country".

2. These statements indicate that the government holds the belief that many people in Canada live to-day on inadequate incomes; the government feels that a social welfare measure should be adopted to increase the incomes of those who need it. These seem to be reasonable and straightforward ideas. The government would seem to be primarily interested in raising the incomes of those who have difficulty existing on their present incomes—its interest is *not* primarily to provide increased income for *all* of the aged.

3. Bill C-136 will not provide incomes in excess of the Old Age Security benefits for persons now over age 69 years. Why? Because of the plan design.

4. If a newly adopted government plan doesn't increase the incomes of some of the needy aged, and if such a plan does increase the incomes of some of the aged persons who do *not* need it, these anomalous results must flow from unavoidable elements in the plan design which are only left in as necessary evils in order to create an overall plan that will be acceptable.

5. But are all the "evils" necessary? Are all these elements unavoidable? If we had a social pension scheme that did not build up such a large "reserve

fund", it could pay increased incomes to some of the current aged. What is the necessary social welfare or other program that is to be supported by the tax revenues, raised through the Canada Pension Plan, which are ploughed into provincial securities? Is the need for the programs that will be developed using these reserve funds, more pressing than the need for payment of incomes in excess of Old Age Security benefits to the current Canadian aged population? What are these programs? What is the cost thereof?

6. If all major parties want "a comprehensive plan to apply to as many people as possible in this country", surely they will express this desire in a strange fashion if they adopt Bill C-136 which channels current tax dollars—raised in the name of the plan—into some provincial government development program rather than into increases in income for the current aged.

7. In my examination of the Actuarial Reports on the Canada Pension Plan and the White Paper and other information, I have not been able to turn up any studies of the numbers of aged in the current population requiring additional income to maintain a minimum standard of living. It seems to be utmost good sense to gauge the size of this need—define it—estimate its characteristics—forecast its future development—before undertaking a mammoth program which purports to eventually fill that need. But where are the detailed statistics which indicate that the Canadian aged population of today is living to some degree in want? Shouldn't the Committee see these? It must be true that some of the aged are living in want—but how many? The whole reason for increased social pensions disappears if there are no substantial numbers of the current aged population in need of more income to reach a modest standard of living.

8. Let us assume that the studies do exist and that the need can be adequately demonstrated. But Bill C-136 would provide no answer for those in the aged population today! It would only provide an answer for those who retire in the future; and even then, not for all the future aged. What about the women who work for only a short number of years? What about those persons who are already out of the labour force at younger ages? Are these persons not going to be found in the "needy category" in the future?

9. Another point with respect to the abandonment of the current Canadian aged and other "non-contributors": How many of these persons realize that the Canada Pension Plan will provide nothing for them in excess of Old Age Security benefits? Too few, I fear. There is no denying that Bill C-136 is extremely complex, but there are some basic simple truths in connection with it that have not been publicized and recognized straightforwardly by the government supporters of the plan. It is sometimes argued that the Canada Pension Plan is much like the United States Social Security program and that it is therefore perhaps acceptable. In this connection the following quotation is offered: on May 14, 1963, Laurence J. Ackerman, Retired Dean of the School of Business Administration, University of Connecticut, said—"About all of this, I have one overriding concern. It is the fact that our American public knows so little about our Social Security system, misunderstands so much of it, fails to grasp its basic purpose, does not recognize that it is a weapon of social policy which could change so many basic tenets and habits of our society. In a Democracy, rule by the majority is an accepted principle; but just as crucial is rule preceded by adequate debate, a complete set of facts and judgment based upon mature consideration. While we may disagree with the decisions of the majority, we must accept and live with them if we believe in democracy, but we should have the consolation that everyone had access to all the information and the decision was a fact-based conclusion."

Again we must ask—do those voting Canadians who will receive no wage-related Canada Pension Plan benefits realize this fact?

10. Bill C-136 employs a 10 year transition period during which the benefits received by retiring employees increase to 100% of the ultimate level. This means that a person retiring at the end of the 10 year period would enjoy benefits calculated in accordance with a formula which is comparable to the formula employed for a contributor retiring at any date beyond that time. This does not mean however, that the whole plan would be fully matured at the end of the 10 year period. There would still be many Canadians in the retired population not receiving Canada Pension Plan benefits. Looking at the whole population, the Plan would not "mature" for possibly 35 years. At the end of that time, there would be few Canadians living who had not had a chance to receive the ultimate level of benefits. The corollary is there for us to consider also—within the 35 year period there would be aged Canadians who would not be in receipt of the ultimate level of benefits. Quoting from the Report on the Economic Implications of the Canada Pension Plan: "the Old Age Security benefit payments will continue to exceed those of the Canada Pension Plan until after 1985".

11. If the Canada Pension Plan is good, and the benefits worth-while, why should we wait for 35 years before the whole plan is brought to maturity? It has been argued that we cannot afford to pay the full benefits now—that we must grade into it slowly over a period of years. But Bill C-136 calls for the collection of substantial funds to be used in other ways during the maturing process—a partial funding. So it would appear that we could afford a much faster maturing process were it not for the apparent greater need of the other programs, albeit provincial programs, requiring the extra funds. Common sense would seem to indicate that these programs must be compared with a detailed analysis of the income problems of the current aged population before the legislators can properly decide to channel tax dollars to one place instead of to the other.

12. Miss LaMarsh has indicated she thinks it would be irresponsible to double current Old Age Security costs in order to give $100 per month Old Age Security pensions at age 65; it would be a greater irresponsibility to incur approximately the same cost and to ignore those in the current population over 69 years, and to ignore the other members of the population who are not attached to, and will not ever be attached to the labour force. This irresponsibility is inherent in Bill C-136.

II. *A social Pension program related to wage levels need not be a "contributory" program*

1. It has been argued that the flat-benefit Old Age Security pension program doesn't solve the social problem adequately because there are wide variations in the income required in various parts of Canada to provide a modest living standard. Further it is argued that the way to correct this problem is to relate some part of the total social pension to the various wage levels in different parts of the country, on the assumption that in this way needs will be more adequately met.

2. The question is then "How can we effect this relationship of social pensions to wage levels?" One answer is as follows: base a part of a citizen's social pension upon his own "reported earnings". Following through this line of reasoning it seems natural to adopt the contributory principle—that is, a principle under which a citizen receives benefits bearing some relationship to the portion of "reported earnings" he contributed (i.e., his "contributions"). Then it seems logical to require a maturing period in order to build up some history of record of contributions so that we can pay back to the citizen benefits related to those contributions. But this contributory principle brings with it the

awful problem of the ignored citizens—the current aged and others who cannot make contributions.

3. Is there another answer to the question? Could we find a better way to relate extra social pensions to wage levels, without adopting the contributory principle? If it were possible to relate *total* social pension benefits to wage levels in various parts of Canada, this would solve the social problem. The denial of the contributory principle seems acceptable to Canadians—certainly it is not evident in the Old Age Security Act.

4. Here is a solution: Increase Old Age Security payments in the different parts of Canada by an amount which is based on the various different wage levels in those different parts of Canada. The Income Tax base (now $3,000) for the Old Age Security Tax could also be increased by varying amounts in the various parts of Canada. A detailed study of income problems of the current aged population—province by province—should indicate the required variations.

5. One might argue that it is not politically sound to provide larger social pensions to citizens of some parts of Canada than to citizens in other parts of Canada. But this criticism can be levelled at Bill C-136 as well... even more so. Surely it would be easier to overcome the objections raised because Old Age Security pensions are made to vary from province to province, than it would be to handle the social problem that would remain under the Canada Pension Plan resulting from the lack of attention to non-contributors.

6. Bill C-136 calls for variation of the monthly Old Age Security in the future to reflect changes in the "subsistence level" needs. This variation would be effective for both Canada Pension Plan contributors and non-contributors. This seems anomalous when there is no attempt to increase the pensions of all non-contributors to reflect provincial variations in wage levels. The whole concept of Bill C-136 is geared to varying benefits; for instance, the Plan would give the Newfoundland fisherman a total social pension which would cover his basic needs adequately, while at the same time it would attempt to give an industrial worker in Toronto a different total social pension which would cover *his* basic needs just as adequately—larger benefits for the Toronto industrial worker. However, the wives of these two men have differing basic needs as well, and yet—if they are attached to the labour force during their working lifetimes for only a short time or for no time at all—the social pensions that the two women will receive will be just about the same, and equal to the Old Age Security Benefit alone. Why should the benefits payable to the women not be varied in proportion to wage levels in the areas in which they live?

7. If social pensions were handled as a matter of right under the Old Age Security pay-as-you-go approach, without the contributory principle, but with total benefits per person (including wives) varying by province, the need would be met in a much better way.

8. Adoption of the contributory principle in social pensions is most undesirable because of the difficulty it creates for future governments. Once the citizens believe that they are contributing to a plan under which they will individually get back benefits with value equal to or in excess of the contributions made, then the government of the future can reduce the benefits promised only under the most dire circumstances, without losing the confidence of the voters. Consequently, if the cost of the benefits grows above the cost forecast at the outset, and increased taxation to meet the benefits cost is a necessity, then to satisfy the workers of the day who are to pay the increased tax, no diminution of future benefits for them can be contemplated.

9. For a private pension plan, the contributory principle is most desirable; for a public pension plan it is anathema. In a private plan, the equity principle

must be followed, but in social pension planning the guiding principle is—or should be—adequacy.

III. *Changes in the scope of the Canada Pension Plan—1964 version as opposed to 1963 version—and comments on "Partial Funding"*

1. The Canada Pension Plan outlined in Bill C-136 differs markedly from the proposal covered by the Actuarial Report of August 30, 1963. It is enlightening to examine the differences, in terms of the cost estimates set forth in the two Actuarial Reports.

2. Under the original Canada Pension Plan, the contributory earnings upon which contributions were based, consisted of the first $4,000 per annum. Initially, contributions were to amount to 1% from employer and 1% from employee, of contributory earnings. In the cost estimates for the years 1965 through 1974 three items were considered separately:

Item # 1—the $10 per month addition to the Old Age Security benefit was estimated to cost: .89% of contributory earning in 1966; .74% of contributory earnings in 1970; .62% of contributory earnings in 1974.

Item # 2—the optional early commencement of the $65 per month Old Age Security benefit (reduced amounts) was estimated to cost: 1.23% of contributory earnings in 1966; .79% of contributory earnings in 1970; .52% of contributory earnings in 1974.

Item # 3—earnings-related benefits were estimated to cost: .02% of contributory earnings in 1966; .25% of contributory earnings in 1970; .73% of contributory earnings in 1974.

Totals: 2.22% of contributory earnings in 1966; 1.84% of contributory earnings in 1970; 1.92% of contributory earnings in 1974.

The Total Benefits Cost varied little from the 2% level.

3. No longer does the Canada Pension Plan concern itself with flat increases in the Old Age Security benefits. The Actuarial Report dated November 6, 1964 does not deal with the cost of Old Age Security benefits. The $10 per month increase in the Old Age Security benefit—effected in the fall of 1963—was provided for through tax increase of 1% in taxable income up to $3,000. So, having dealt with that item separately, the old Canada Pension Plan proposal would—if nothing else were changed—involve benefit cost estimates of 1.25% of contributory earnings in 1966, dropping to 1.04% in 1970 and rising again to 1.25% in 1974.

4. The redesigned Bill C-136 is not nearly as generous with the options for early commencement (at reduced levels) of the basic $75.00 per month Old Age Security benefit as was the original plan. While the 1963 Canada Pension Plan allowed for early commencement of Old Age Security reduced benefits for all citizens in 1966, aged 65 years to 70 years of age, Bill C-136 allows only 69-year-olds to take optional early pension in 1966, 68 and 69-year-olds in 1967.....persons aged 65 to 69 in 1970 and thereafter, can take optional early income. Obviously, this change will reduce the 1966 through 1970 costs of the early commencement of income provisions.

5. It is interesting to observe that in the second Actuarial Report there is no mention whatsoever of the additional cost resulting from payment of reduced Old Age Security pensions at ages 65 to 69. While this is not a cost item connected with the wage-related benefits, it is a cost item flowing from Bill C-136, just as the cost of early commencement of the $65.00 per month Old Age Security benefit was a cost flowing from the original Canada Pension Plan proposal in 1963. Why was there no estimate given in the 1964 Actuarial Report for the cost of early commencement of Old Age Security pensions (at

reduced level)? In the White Paper on the Canada Pension Plan there is the following statement: "The adjustment cost of making this choice available will be financed by the existing rates of tax for Old Age Security"; but the cost should be known by the Joint Committee and the public!

6. If we were to assume that the cost of Items No. 1 and No. 2 in the original Canada Pension Plan proposal were handled either by other taxes or by reducing the benefits, the original Canada Pension Plan proposal would be left with benefits estimated to cost .02% of contributory earnings in 1966, rising to .25% in 1970, and rising to .73% in 1974.
(See 2. above).

7. These changes are in the direction of reducing the immediate benefits available from the Canada Pension Plan (and also reducing the tax dollars which must be paid out immediately in benefits); these changes effect an increase in the portion of "contributions" which may be retained by the government.

8. In the building up from this stage to Bill C-136, Disability Pensions, Survivors Pensions and Death Benefits were added. Based on the new definition of Contributory Earnings, and using the November 6, 1964 Actuarial Report figures, the estimated costs of these items, expressed as percentages of contributory earnings, are:

In 1966 .....nil
In 1970 — either .37% or .36%
In 1974 — either 1.06% or 1.03%

depending on the assumption of a 3% or 4% Annual Rate of Increase in Earnings. Corresponding Bill C-136 Age-Retirement Pension Cost estimates are:

In 1966 ..... nil
In 1970 — either .21% or .21%
In 1974 — either .94% or .72%

These latter figures are very close to the corresponding figures for the wage-related pension costs under the original 1963 proposal. (Item No. 3 in 2, above.)

9. But Bill C-136 would call for the tax rate to be increased and the tax basis changed so that now total contributions are 3.6% of annual earnings over $600.00 and up to $5,000 per year. So the early benefits available would be reduced, the $10.00 per month Old Age Security benefit transferred out of the Canada Pension Plan consideration (to be paid for by other taxes), and at the same time the tax burden would be increased for many people. And all this is done to raise a "Partial Fund".

10. Is there anything good about a "partially funded" plan? In the United States it was originally felt that the Social Security System could be fully funded. However, in the early deliberations on the plan it appeared that this was not feasible and a partially funded approach was adopted. Now, after many amendments the plan has become a pay-as-you-go plan. A partially funded plan is neither fish nor fowl, and because there is no formal and natural relationship between the fund and the plan benefits, this relationship can be changed too easily as a result of political pressure. To attempt funding for a social plan is to ask for political controversy; look at the changes that have been effected in the United States Social Security Act—amendments in 1939, 1946, 1950, 1952, 1954, 1958, 1960 and 1961. These are the amendments which have passed. There have been literally hundreds of bills introduced which for one reason or another have failed to pass.

11. In 1954, as an actuarial student studying the social pension plans of both Canada and the United States, I was proud to be a Canadian when I read the comparisons drawn between the United States Social Security program—an expensive attempt at a contributory partially-funded plan— and our own effective pay-as-you-go Old Age Security plan.

12. The build-up under Bill C-136 of a partial reserve fund has been explained as one of the results of compromise between the views of the Federal Government and the views of the Provincial Governments. Miss LaMarsh testified before the Joint Committee on Wednesday, November 25th saying "The Quebec view was always very candid about the fact that it was moved by two considerations. The first was to provide protection to its citizens by a pension plan, and the second was to provide a fund for the development of its province". It is unreasonable for the Federal Government to adopt a massive federal program which may create unwieldly problems 20 years hence for the whole of Canada, when that program has a major defect—the creation of a fund—which the Federal Government appears even now to recognize as a defect. If Bill C-136 were passed, the federal Members of Parliament could not escape the responsibility for enmeshing the whole country in the partial fund concept.

13. The defect is excused sometimes because of the coupling of the Federal Government's desire for national portability of pensions, and the fact that Quebec was to have its own funded (or partly funded) plan. A federal pension plan should strive for portability of pension rights on a country-wide basis, but it is too high a price to pay for this portability when the pension plan tax and what amounts to a tax to provide provincial development funds are combined in an unnatural way as they are in Bill C-136. There must be another way to achieve national portability.

14. If a province wishes to raise funds for provincial development, the honest approach is to tell the voting public the reason for which the tax is adopted. By hiding a provincial development fund tax within the framework of the Canada Pension Plan, it is possible that the provincial and federal governments together might avoid the criticisms that would be forthcoming were the tax to be imposed directly, as a measure quite separate from the Canada Pension Plan. Combining a development fund tax with a social pension plan tax, and advertising the whole tax as a contribution to a pension plan may be politically smart, but it would not be forthright, and it would leave a legacy of problems to our children as well.

IV. *Combined long-range cost estimates for Canada Pension Plan and Old Age Security Benefits*

1. Cost estimates for both the proposed Canada Pension Plan and the Old Age Security benefits should be considered together. These two programs are so inter-related that it is only common sense to consider the combined costs.

2. In the 1963 Actuarial Report, figures were given which made it possible to estimate the long-range costs of the then proposed Canada Pension Plan and the $65.00 per month Old Age Security benefit, as percentages of contributory earnings. To estimate the Old Age Security cost, it was only necessary to multiply the cost figures for the $10.00 per month extension by 6.5; the result was approximate cost figures for the $65.00 per month benefit. Expressing all of the costs in terms of percent of contributory earnings (based

on first $4,000 of annual income) the year 2050 showed a combined Canada Pension Plan and Old Age Security High Cost assumption total of 17.75%, and a Low Cost assumption figure of 8.41%. In making these calculations it was assumed that, if average earnings increase in the period from now until 2050, there would have been increases in the basic $65.00 per month Old Age Security benefit to correspond, and so these percentages hold true for level or increasing average earnings assumptions.

3. In connection with the original 1963 Canada Pension Plan, it was unreasonable for the planners to forecast figures for only the Canada Pension Plan benefits, without including comparable forecast figures for the Old Age Security benefits. The same comment holds true with respect to Bill C-136. Where are the forecast figures for the Old Age Security benefits? They should be set down, and considered by the legislators as they consider Bill C-136. The Canada Pension Plan cannot stand by itself without Old Age Security. It has been said that the Old Age Security Act is not doing enough; then, improvements in the solution to the problem should take account of the current possibly inadequate solution. Why are the cost figures for the two divorced? How can we adequately plan for the future without consideration of the combined effect? It is inconceivable that the government planners can hide behind the White Paper statement to the effect that "Old Age Security pension will, of course, be available in addition to the new retirement pension".

4. Some approximate estimates of the 1980, 2000 and 2050 combined costs of the two programs have been developed below. In these, it has been assumed that the percentages of contributory earnings listed in the 1963 Actuarial Report for the long-range cost estimates of the $10.00 per month Old Age Security benefit (considering the whole population of Canada and based on contributory earnings equal to annual earnings with a maximum of $4,000), are approximately equal to the long-range cost estimates of the same benefit (for all Canadians excluding citizens of Quebec) when expressed in terms of contributory earnings which are annual earnings in excess of $600 with a maximum of $5,000; it is recognized that this is a rough and ready assumption. It is also assumed that the effects of the change from a more liberal, to the less liberal, "early commencement of pension" feature in Bill C-136, has worn off by 1980.

5. Following the thinking outlined in connection with the 1963 Actuarial Report, it is assumed that the cost of the $75.00 monthly Old Age Security benefit can be considered to remain unchanged, when expressed as a percentage of contributory earnings, if the benefit were to be adjusted at the same rate as the rate of change, if any, in average earnings. (It may not be unreasonable to expect future legislation to push Old Age Security benefits up at a rate higher than 2% (the maximum indexed increase) if the annual rate of increase in earnings is 3%, or 4%).

6. The table below shows the resultant total combined cost estimates:

Percentages of Contributory Earnings Required to Provide Canada Pension Plan Benefits and Expenses and Old Age Security Benefits Assuming 3% Annual Rate of Increase in Earnings

CANADA PENSION PLAN

	Age Retirement Pensions	Other Benefits	Expenses	Total	Old Age Security Plan	Grand Total
High Cost						
1980	2.00%	1.63%	.10%	3.73%	5.70%	9.43%
2000	3.70	2.22	.10	6.02	6.08	12.10
2050	6.40	3.26	.10	9.76	10.28	20.04
Low Cost						
1980	1.84	1.56	.10	3.50	5.18	8.68
2000	3.06	1.86	.10	5.02	5.03	10.05
2050	3.03	1.58	.10	4.71	4.65	9.36
"Intermediate Cost"						
1980	1.92	1.60	.10	3.62	5.44	9.06
2000	3.38	2.04	.10	5.52	5.56	11.08
2050	4.71	2.42	.10	7.23	7.47	14.70

7. It must be realized of course that Old Age Security benefits are currently provided by the 3-3-4 formula (3% manufacturers-level sales tax, 3% corporation income tax, and 4% income tax on the first $3,000 of taxable income); however, for comparison purposes we should look at the total cost of the two benefit schemes, when related to the same tax base and expressed in the same terms.

8. No doubt proper, more accurate forecasts of Old Age Security costs have been calculated by the Chief Actuary and his staff. Nevertheless the figures given above indicate the possible size of the combined program. It is to be hoped that the legislators consider the two costs together. An "Intermediate Cost" figure of 14.7% of contributory earnings for these two programs in 2050 is difficult to swallow; if the High Cost assumptions are borne out the situation would be untenable. In 1980 the High Cost and Low Cost figures are not very different—9.43% and 8.68%, with a mean of 9.06%; this would be a heavy load to carry!

V. *Conclusions*

1. More detailed statistics should be made available setting forth the distribution and numbers of aged Canadians now receiving less than adequate incomes, with figures to indicate regional differences, if any, in the "inadequacies". In other words, more information with regard to the size of the need for increased social pensions should be developed and publicized.

2. Increases in social pensions, as needs indicate, should be handled—possibly with provincial variations in amount—in a manner similar to the handling of Old Age Security benefits:

(*a*) Any extension of social pensions handled on a pay-as-you-go basis.

(*b*) Benefit extensions made available to the current aged, to the greatest degree possible.

(c) No individual records of past earnings need be kept, as individual pensions will not be based thereon.

3. The contributory aspect of the Canada Pension Plan should be removed.

4. Earnings—related portions of widows pensions and disability pensions called for under Bill C-136 (and based on the individual earnings record) should be replaced by flat-rate benefit amounts—possibly with provincial variations.

5. Optional early commencement of the current Old Age Security benefit should be made subject to a form of Earnings Test, similar to the restriction placed on the Earnings-Related benefit suggested under Bill C-136. If this provision is valid for part of the social pension, then it is valid for the other part as well.

APPENDIX A17
BRIEF

by William M. Mercer Limited
(December 28, 1964.)

Without inferring complete agreement on other aspects of the Canada Pension Plan, I wish to draw the attention of the Special Joint Committee of the Senate and the House of Commons on Canada Pension Plan to one feature, in particular, of the proposed Plan.

The Plan effectively provides a pension, payable from age 65, after a transition period of 10 years, of 25% of adjusted average earnings on which contributions have been assessed.

While a pension which is completely earnings-related may be appropriate to a person at present of age 18, who contributes throughout to age 65, and might be a feature suitable to a private employer subsidised pension plan, it is not appropriate to a national plan.

I recommend that the plan formula after the transition period, as far as age pensions are concerned—widows' and disability pensions and transition period pensions conforming—should be 25% *not* of the adjusted average earnings on which contributions have been assessed, but of adjusted average earnings since age 18, on the assumption that, in all cases, the average earnings since the attainment of age 18, up to 1st January, 1966, adjusted to that date, were a fixed flat amount. (Examples are later given where the fixed amount is $2,000, or, again $2,500.)

These figures are selected purely for purposes of demonstration. Any figure used in practice would be based on proper analyses of the situation.

The fundamental fault in computing the entire pension on an actual earnings-related basis, and its correction by the recommended formula, is most obvious when we consider a married male whose 55th birthday falls on 1st January, 1966.

Under the proposed Canada Pension Plan he will be eligible from age 65 to a pension of 25% of his adjusted actual earnings, with a substantial proportion of the pension continuing to a surviving widow after his death.

On a reasonable actuarial basis, which it serves no present purpose to define, where the adjusted earnings are $5,000, this benefit at age 65 has a capitalised value of approximately $16,000, towards which the person concerned will contribute $792, assuming no changes based on future indexes of cost of living and wages. Where the adjusted earnings are $3,000, the capitalised value is $9,600 against contributions of $432.

This differential might be appropriate under a private plan, because an employer wishing to retire an employee may feel morally committed to provide him with a pension appropriate to his final earned income.

This differential is completely inappropriate in a public plan.

This feature did not go unrecognized in the original proposed Quebec Pension Plan. (See Table No. 29 on page 156 of Volume 1 of the "Rapport du Comité Interministériel d'Étude sur le Régime de Rentes de Québec" published April, 1964.) Under the original Quebec Plan this differential was maximised at age 45, due to the 20-year transition period. This report, in effect, apologised for this unfortunate feature of the Plan.

The Quebec Report was weak in making no positive suggestion for correction, but the fault in that Plan, when carried into the compromise Plan developed with the Federal Government, and now known as the Canada Pen-

sion Plan, has been exaggerated rather than diminished, now that the transition period has been shortened to 10 years.

My recommended formula would correct this by treating part of the total benefit as in respect of years prior to 1st January, 1966, during which nobody contributed, and the remainder as in respect of years after 1st January, 1966, during which contributions are made.

The benefit of the former years, where no contributions were made, *would not* be earnings related.

The benefit of the latter years, when contributions were made based on earnings received, *would* be earnings related.

Consider, now, the situation under the proposed and recommended Plans, in respect of two males both aged 55 on 1st January, 1966, assuming annual earnings from age 55 to age 65 averaged $3,000 (Case 1) and $5,000 (Case 2), respectively, making no allowance for future adjustments due to cost of living or wage indexes, but allowing for the "drop-out" feature in computing the overall average. Figures in brackets indicate approximate capital value at age 65 of benefits less members' own contributions.

	Case 1		*Case 2*	
Average actual earnings in last 10 years	$3,000		$5,000	
Proposed Canada Plan annual pension (25%)	750	($9,200)	1,250	($15,200)
Average lifetime earnings since age 18, assuming fixed figure of *$2,000* for average of such earnings prior to 1st January, 1966, adjusted to that date. (37(55-18) years, less drop-out period of 10% of 47(65-18) years or 32 years at $2,000, plus 10 years at average of actual earnings after 1st January, 1966.)	2,238		2,714	
Recommended Canada (25%) Plan annual pension where fixed earnings are *$2,000*	559	($6,700)	679	($ 7,900)
Average lifetime earnings since age 18, assuming fixed figure of *$2,500* for average of such earnings prior to 1st January, 1966, adjusted to that date. (32 years at $2,500 plus 10 years at average of actual earnings after 1st January, 1966 (see above))	2,620		3,095	
Recommended Canada (25%) Plan annual pension, where fixed earnings are *$2,500*	655	($7,900)	774	($ 9,100)

It is very obvious how this procedure reduces the differential to a basis more consistent with what should be expected of a national plan, in that it should provide mainly for the needy.

The same principles would apply at other ages, both above and below age 55.

If the average last 10 years' earnings were less than the fixed figure, the former only would be used.

It should not be difficult to adjust figures already prepared in the actuarial report to determine the financial implications of this recommendation.

The financial strain imposed on the accumulating fund would be reduced. This would increase the fund and certainly defer the day when an increase in rate of contribution, or change in funding philosophy, might become necessary.

The change would materially facilitate the process of "integration" or "co-ordination" with existing private plans.

Alternatively, the "saving" so achieved could be utilised to improve the pensions of what might be termed the "lost generation", those now well above age 55 and for very low income groups who are benefited little, if at all, by this Plan for "all Canadians".

If finances permitted this indeed could logically be achieved by regarding all these as eligible for benefits based on average earnings, equal to the fixed figure selected, between ages 18 and 65. This would effectively give those now or over age 65 an annual pension of 25% of *$2,000* (or $2,500) over and above present Old Age Security, but I will not press this point.

CYRIL J. WOODS,
Fellow of the Institute of Actuaries,
Fellow of the Society of Actuaries.

(Meetings held during adjournment of the House)

MINUTES OF PROCEEDINGS

TUESDAY, January 19, 1965
(32)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 10:10 o'clock a.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Boucher, Croll, Denis, Lefrançois, Stambaugh, Thorvaldson—6.

Representing the House of Commons: Messrs. Basford, Cameron, (*High Park*), Cantelon, Cashin, Côté (*Longueuil*), Francis, Gray, Knowles, Laverdière, Leboe, Lloyd, Macaluso, Monteith, Morison, Munro, Prittie—16.

In attendance: From Life Underwriters Association of Canada: Messrs. J. L. Etherington, Chairman of the Board; R. L. Kayler, Executive Director and General Counsel; Fraser Deacon, Chairman of Taxation and Legislation Committee; R. A. Mitchell, Honorary Treasurer of the Association and Member of Taxation and Legislation Committee.

Also in attendance: Mr. J. E. E. Osborne, Technical Adviser to this Committee.

The Joint Chairman invited Mr. Etherington to introduce the members of his delegation.

Then Mr. Etherington made a preliminary statement and Mr. Kayler put forward the recommendations of his Association.

The Committee then proceeded to its questioning of the witnesses.

On motion of Mr. Cashin, seconded by Mr. Francis,

Resolved,—That beginning today, all briefs submitted by witnesses appearing before the Committee and including the one previously submitted, for distribution, by the Life Underwriters Association of Canada, be, without requesting further motion to that effect, appended to the Minutes of Proceedings and Evidence of the day on which the said witnesses are heard. (*See Appendix A18*)

The Committee having concluded its examination of the witnesses, the Joint Chairman thanked them and they retired.

On motion of Mr. Munro, seconded by Mr. Knowles,

Resolved unanimously,—That a vote of thanks and appreciation be extended to the representatives of the Life Underwriters Association of Canada for their contribution.

At 1:08 o'clock p.m. the Committee adjourned until 2:30 o'clock this afternoon.

21755—1½

AFTERNOON SITTING

(33)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reconvened at 2:39 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Boucher, Croll, Denis, Lefrançois, Stambaugh, Thorvaldson—6.

Representing the House of Commons: Messrs. Basford, Cameron (*High Park*), Cantelon, Cashin, Côté (*Longueuil*), Francis, Gray, Knowles, Laverdière, Leboe, Lloyd, Macaluso, Monteith, Morison, Munro, Prittie—16.

In attendance: From the Canadian Chamber of Commerce: Messrs. A. J. Little President; H. F. Hoerig, Chairman of the Executive Council; D. L. Morrell, General Manager. *From the Health and Welfare Committee of the Canadian Chamber of Commerce:* Dr. W. H. Cruickshank, Chairman and Messrs. W. J. McNally, Secretary; R. B. MacPherson, member, Léon Mondoux, member, R. S. Davies, member, and *from the Winnipeg Chamber of Commerce,* Mr. G. R. Hunter, Q.C., Past President.

Also in attendance: Mr. J. E. E. Osborne, Technical Adviser to this Committee.

The Joint Chairman read a letter in which the Canadian Chamber of Commerce asked the Committee to note an erratum in the first full paragraph at page 14 of their brief previously submitted for distribution. The first part of that paragraph should read "If it is the decision of the Committee to examine alternatives, etc." (*See appendix A 19 for corrected brief as requested*).

The Clerk of the Committee was asked by the Joint Chairman to read a letter from the Manitoba Chamber of Commerce.

Then the Joint Chairman invited Mr. A. J. Little to introduce the members of the delegations from both the Canadian and Winnipeg Chambers of Commerce.

Dr. W. H. Cruickshank made a preliminary statement and was questioned thereon assisted by members of the delegation of the Canadian Chamber of Commerce.

In accordance with a previous motion, the brief previously submitted for distribution by the Winnipeg Chamber of Commerce is printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See appendix A 20*).

On motion of Mr. Monteith, seconded unanimously,

Resolved: That the answer, prepared by Mr. Osborne to the question asked by Mr. Monteith, be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See appendix A 21*).

The Committee having concluded its examination of the delegation from the Canadian Chamber of Commerce, the Joint Chairman thanked the witnesses and they retired.

Then Mr. G. R. Hunter, Q.C., was called and examined.

The examination of the witness being completed, the Joint Chairman thanked Mr. Hunter who retired.

At 5:44 o'clock p.m. the Committee adjourned until 8:00 o'clock p.m. this evening.

EVENING SITTING

(34)

The Special Committee of the Senate and of the House of Commons on the Canada Pension Plan reassembled at 8:05 o'clock this evening. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Croll, Fergusson, Lefrançois, McCutcheon, Smith (*Kamloops*), Stambaugh, Thorvaldson—7.

Representing the House of Commons: Mrs. Rideout and Messrs. Basford, Cameron (*High Park*), Cantelon, Cashin, Côté (*Longueuil*), Francis, Gray, Gundlock, Knowles, Lloyd, Macaluso, Monteith, Munro, Prittie—15.

In attendance: Mr. D. E. Kilgour, from Winnipeg, Manitoba.

Also in attendance: Mr. J. E. E. Osborne, Technical Adviser to this Committee.

The Joint Chairman invited Mr. Kilgour to make a preliminary statement before being questioned thereon.

In consequence to a motion agreed upon at this morning's sitting, Mr. Kilgour's brief, previously submitted for distribution, is printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See appendix A 22*).

The Committee concluded its questioning of the witness.

Then the Joint Chairman thanked Mr. Kilgour who retired.

At 10:38 o'clock p.m. the Committee adjourned until 10:00 o'clock a.m. on Wednesday, January 20, 1965.

Maxime Guitard,
Clerk of Committee.

EVIDENCE

TUESDAY, January 19, 1965.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, it is ten after ten and we have a quorum. I have no business to bring before the committee. I think Mr. Cashin has a motion he would like to make about the filing of briefs, that in the case of each witness who appears and files a brief, and in the case of each brief submitted, the brief be automatically recorded in that day's proceedings as an appendix and that it be not necessary to make a motion each day in respect of the filing of briefs.

Mr. CASHIN: I so move.

Mr. FRANCIS: I second the motion.

The CHAIRMAN (*Mr. Cameron*): Does that meet with the approval of the committee?

Members of the Committee: Agreed.

The CHAIRMAN (*Mr. Cameron*): We have before us this morning the Life Underwriters Association of Canada. Mr. R. L. Kayler is Executive Director and General Counsel. You have had a copy of the brief and have had an opportunity to read it. Mr. Etherington will make the opening statement on behalf of the association and will introduce the other members of the delegation.

Mr. L. J. ETHERINGTON, *Chairman of the Board, Life Underwriters Association of Canada*: Mr. Chairman and members of the committee, it is my pleasure to introduce to you the officers and executive of the Life Underwriters Association of Canada. On my far right is Mr. Fraser Deacon, C.L.U., a past chairman of our board of directors and currently chairman of our Taxation and Legislation Committee. Next to him is Mr. R. A. Mitchell, C.L.U., honorary treasurer of the Life Underwriters Association of Canada and a member of the Committee on Taxation and Legislation. On my right is Mr. R. L. Kayler, LL.B., C.L.U., Executive Director of the Life Underwriters Association of Canada and also its General Counsel.

Mr. KNOWLES: Mr. Chairman, before the witness commences, I wonder if he would permit a question which might sound a little awkward. When we had the Canadian Life Insurance Officers Association here we sometimes gave them the wrong name and called them the Life Underwriters Association. We do not know whether they were insulted or complimented. Could you distinguish between the two associations?

Mr. ETHERINGTON: I would be happy to do so. The organization to which you have referred, the Canadian Life Insurance Officers Association, which appeared last week, is an organization the members of which are officers of 102 life insurance companies doing business in Canada. Their member companies represent about 99 per cent of the business transacted in the field of life insurance in Canada.

Our organization, the Life Underwriters Association of Canada, is an organization of life insurance agents, and our membership consists of slightly over 12,000 life insurance agents from coast to coast. These agents are under contract to all the various companies doing business in Canada.

The Life Underwriters Association therefore represents the point of view of the life insurance agent. The Canadian Life Insurance Officers Association represents the point of view of industry as concerned with companies. Does that explain it?

Mr. KNOWLES: Yes. Thank you, very much.

Mr. ETHERINGTON: Mr. Chairman, in our memorandum which has been submitted, we state our support for the broadly stated objectives of the Canada Pension Plan to provide benefits for all Canadians in retirement, and for the disabled, the widowed and the orphaned. We go on to point out that if the Canada Pension Plan is to achieve these objectives we submit there are amendments that should be considered.

Before we get into the details of our submission, I would like to make a few brief interjectory comments, as follows:

First, our organization, the Life Underwriters Association of Canada, is basing its submissions primarily on the point of view of our 12,000 members, who are in their daily work in contact with a large portion of the 10 million Canadians who are policy owners in the life insurance companies in Canada.

Our members are required to advise individual Canadians in the area of their finnacial planning and security, and therefore are in a position to assess the effects of the proposed Canada Pension Plan on individuals in a variety of circumstances.

Secondly, we would like to make it clear that our association does not have at its disposal economists or actuarial staff. Therefore, in our submission on the Canada Pension Plan we have largely stayed away from areas of economics and funding. Our main concern is how the Canadian Pension Plan will affect individual Canadians, and while we are not presuming to be expert in the areas of economics and funding, we do feel that we have a point of view which is worth while considering from the standpoint of the effect of the pension plan on Canadian citizens.

Thirdly, we would like to comment on the objectivity of our presentation. First, however, let me make it clear that the Life Underwriters Association of Canada has consistently supported old age security, and will continue to do so, including any desirable amendments to the system.

Many of our members believe that the Canada Pension Plan will result in Canadians becoming more conscious of the value of pensions, and that therefore the climate for future sales of insurance and annuities will be improved. It is true that there will likely be a reduction in premiums going into insured pension plans, but these constitute only about one-fifth of the private pensions industry, and the gains and other phases of life insurance and annuities sales will likely offset any possible losses in regular pension plans. Therefore, we believe on balance that life underwriters stand to gain from a Canada Pension Plan, regardless of what form it takes.

Our purpose in appearing before this committee is to look at this whole question from the viewpoint of the public interest, and in this area we feel certain that this viewpoint is shared by the committee.

The core of our submission is that the broad objectives of the Canada Pension Plan, with which we agree, can only be fully achieved if the Canada Pension Plan is moulded to bring under its wing the whole broad area of universal flat benefits to provide the desired level of Government benefits to retired people, to widows, to orphans and to disabled persons.

We believe that a flat pension approach which has been introduced in part 4 of Bill C-136 could be substantially expanded along the lines that I have just indicated, thereby enabling the earnings related aspect to be deleted, and the Canada Pension Plan could then cover the four main categories of special need fully and equitably.

Now, Mr. Chairman, we are in your hands at this point. Perhaps the committee will wish to ask questions at this stage, or perhaps you will wish to proceed through our submission in detail, or perhaps you would like to hear a further summary of our specific recommendations.

The CHAIRMAN (*Mr. Cameron*): I think we would like the latter first, the summary of your recommendations.

Mr. ETHERINGTON: Thank you—in which case I will call on your Executive Director and General Counsel, Mr. R. L. Kayler, to present these.

R. L. KAYLER (*Executive Director and General Counsel, Life Underwriters Association of Canada*): Mr. Chairman, and members of the committee, following upon Mr. Etherington's broad statement of our position to become more specific in this area, I can direct your attention, if you will, to page 7 of our submission, beginning perhaps at the paragraph numbered 12. Let me preface our look at this section of our submission with this general introductory comment. In our suggestions in the way of expanding flat benefits under both old age security and family allowances, we make these not in any way feeling that this is the only possible answer or that the figures here as to the levels of benefit are precise. For example, we do not feel there is any special magic in the figure of $75 a month.

Our purpose in putting these suggestions before you is rather to focus attention on the basic matter of the principle of flat benefits, and feeling that if his approach eventually recommends itself to this committee, the committee obviously would have to have a great deal more information and background, economic and statistical, to come up with any final conclusions as to exactly what shall be the precise level of benefits in these various areas.

Having made this preliminary observation, we are suggesting here that—is there a question first, Mr. Chairman?

Mr. PRETTIE: No; we are just getting ready.

Mr. KAYLER: Our first area of suggestion here is in connection with the retirement age, and we have suggested that consideration could be given to lowering to age 65 the commencement age for the flat benefits under old age security.

We are not necessarily suggesting here a complete across the board $75 a month for all, but we are suggesting that, in the first instance, this could be for people who are single or widowed when they reach the age of 65. Turning to people who are married, take a man who is married at 65. We suggest here that he could look at the age of his wife, and if she were under the age of 60 he, too, should be entitled to the full $75 a month, commencing at age 75.

Then moving a step forward, you have the husband and wife relationship. During the period that the husband is 65 or over, and his wife is between age 60 and 70, this $75 a month could be stepped up to perhaps $125, and then, of course, when both partners, both spouses are 70, the full $150, or whatever the old age security level of benefit is, would apply at that time.

There is one further comment in connection with this part of our suggestion. I said at the beginning we are not wedded in any particular way to the figure of $75 a month. Our feeling is that if the flat benefit system is going to be expanded, the first step in this expansion is to cover areas of aid not now covered at all, both as to age and as to category, such as the widowed, the disabled, and so on.

Now, if that is done, the next obvious step is to give consideration to the amount of flat benefits, whether $75 or something higher should be the figure.

Going on from this, we make the general observation on page 8, paragraph (c), that we feel it makes sense there be provision in the Canada Pension Plan for periodic review on some fairly definite pre-determined schedule, so it is not a matter of accident or expediency, as the case may be; that there be some pre-determined formula for a review, to make sure the level of benefits is in line with what seems reasonable when you look at our standard of living for the population as a whole.

Secondly, in a similar vein, we have seen considerable evidence put forward recently from various quarters that indicates that in the category of old age the need for additional income from Government sources may well tend to increase as the age level rises. It may be that the committee should seek further information in this area, and that any future increases of old age security perhaps should not be on a flat amount across the board at all ages, but some account perhaps should be taken of the fact people who are 75 and over perhaps need more than those who are under, and that when they become 80 they need more still. As we have said, our association does not have the economic or statistical resources to make specific recommendations in this area, so we are posing the broad principle we feel this is a field that should be explored.

Moving on from this category, we mention our concern for the people who are widowed and those who are in the category of disabled persons. We feel very strongly that coverage of these groups is important, and that whatever is done in this area should be applicable to all people in these categories, not just those who would be fortunate enough to fall into the categories that would be covered under the earnings-related formula.

One way—and perhaps it is not the only way, and perhaps not even the best way, but one way of dealing with this problem, as we have suggested, is to extend downward the commencement age and application of old age security to reach down into these two specific categories of hardship, that of widowhood and that of disability. There may be some minimum age that would be considered desirable to cover people in these two categories. Whatever the age is and whatever the amount is, this could be, in effect, an extension of the old age security flat benefit system.

Moving on to item 13 on page 8 of our recommendations, we deal with the fourth category of hardship that has been considered in the Canada Pension Plan, namely that of orphans. The term "orphan" is not in its full, legal sense. I think it is intended to apply to the situation where one parent has died and there are still dependent children. In Canada we have already an organization and system for paying benefits in relation to children through our family allowances.

It is our feeling, again, a possible way to move into this area—perhaps not the only way, but a possible way—would be further to expand the application of family allowances so that in the case of children who fall into the category of orphans an additional amount would be paid. We have suggested here a figure of $25 per month per orphan, mainly because this is the figure which has been suggested in Bill C-136 under the Canada Pension Plan. We have no strong feeling whether $25 per month is too high or too low. We are simply following along with the suggestion that has been made.

With regard to the age limit for payments in respect of orphans, again in the Canada Pension Plan, dealing with the limited group that would be covered, it is suggested that coverage could extend up to the age of 25 in the case of children who are still at school or university. We think this is very sound and, presumably, any extension of flat benefits under family allowances could cover this period.

I think, Mr. Chairman, this is pretty much a summary of, if you want to call them such, our specific recommendations, though in some areas, as I have said, they are far from specific.

The CHAIRMAN (*Mr. Cameron*): Thank you very much, Mr. Etherington and Mr. Kayler. We will now proceed to the questioning period.

Mr. CASHIN: To the gentlemen there, through you, Mr. Chairman, in your preparation for appearing before this committee did you examine any other

wage-related pension plans by governments of other countries? If so, did you discover such plans covered people not covered in this plan?

Mr. KAYLER: Mr. Chairman, I think our answer to the first part of the question is that we have not made a detailed study at all of wage-related plans in other countries. We have some familiarity, but not a complete concept of old age security in the United States, primarily because the life insurance business is rather international in scope in the North American continent, and our members are involved to some extent with people in the United States, and vice versa. We really have only a rather rough working knowledge of old age security in the United States, and our understanding of the system there is that even over the period of almost 30 years that this plan has been in operation—and it has been amended and expanded on many occasions during this period—there is still a significant portion of the retired population in the United States which is not covered. My impression is that it is somewhere in the order of 10 per cent, but I have no specific information on this point.

Mr. CASHIN: You are suggesting the extension or revision of the universal flat rate benefits by this. In 1952, when the O.A.S. was set at $40 a month, did your association have any views on the adequacy of that figure? I say "adequacy" in relation to what you felt could have been afforded at the time. Did you think the figure was too high or too low?

Mr. KAYLER: I think our position at that time was this. As we have said in our brief, in principle we have always been strongly in support, and in 1952 we were in support of the basic principle of the flat benefits amount. Again, our association had no strong feeling as to whether there was any specific magic in the figure of $40—again, for the reasons I have already stated today, that we do not have the economic, statistical research background on which to base any very firm opinion in this area.

Mr. CASHIN: So, presumably you left it to others to decide as to whether or not this met the needs of the pensioners, or the adequacy of the figure itself?

Mr. KAYLER: Yes, as to the level of the amount.

Mr. CASHIN: I point out to you that from 1952 to 1963 the O.A.S. figure went from $40 to $75. I am not saying the figure of $40 met the needs of the old age pensioners or that it was adequate in 1952, but if we look at the average weekly wages and salaries in this country from 1952, when that figure of $40 was introduced, to 1963, we will see an increase of a little better than 50 per cent, from 54-point-something to 83-point-something. Consequently, I say to you that successive governments have increased the O.A.S. in excess of the rise in wages and salaries, and we still have with that increase in O.A.S. the situation where many Canadian people—in fact, over two-thirds of the present Canadian working force—are not presented with the same opportunity to prepare for retirement through a wage-related plan. Therefore, what we are really talking about are two distinct problems: The one, the problem of people in retirement today; and the other, the retirement of those who are now in the working force. Don't you agree we should plan for the retirement of the whole of the Canadian population today, particularly those two-thirds who are not in wage-related plans? Don't you agree these are two separate things? Do you see a difference in these two problems?

Mr. KAYLER: Mr. Chairman, we agree wholeheartedly with the suggestion made in the question, that we are concerned about the retirement program for all Canadians, including those who are presently young and in the working force. I think our feeling is that the most effective and the most equitable way to do this, considering the basic responsibility of government to take care of needs at the primary level, is through the flat benefit system. We

think, for example, it is more urgent in the priority of needs that the existing level of flat benefits be extended to cover those who are not now covered, the widowed, the disabled, and so on. It covered all of these people who are now in this unfortunate position in our country, so that at least they would have the $75 a month, or as much as the people who are already covered in the over 70 bracket.

Now, this to us makes much more sense in terms of covering the needs of Canadians, and we think in terms of achieving what has been stated to be the intention of the Canada Pension Plan—not to continue to overlook and ignore these people who are already in this severe area of need, and to start providing, in effect, a second layer of pensions for those who happen now to be in the working category.

I think there is a real question that has to be determined at some point. Once, as a country, we have succeeded in covering all these areas of need up to a specified amount, which will cost a lot of money to be sure, it will be a good question then as to how much more will be available to be added to this. My feeling is that whatever amount will be available should be added not to a select few, or those who happen by circumstances to be presently employed, but again to all people in these basic four categories or hardship.

Mr. CASHIN: You obviously approve, though, of earning being related to pension plans on a private basis; so you would leave it to private enterprise to supply this type of plan to the other two-thirds, or 70 per cent of the work force?

Mr. KAYLER: Yes. Further to that, sir, keep in mind that in addition to what has been referred to as the private pension plan, the formal type of private pension plan that exists in industry today, we have seen figures vary from 30 per cent to 40 per cent as to the working force being covered.

In addition to this, of course, there is another substantial group of people covered by companies which have pension plans.

Over and above all this, do not overlook the fact that there are somewhere in the neighbourhood of 10 million Canadians today who are policy owners of life insurance policies, and the biggest proportion of these life insurance policies have a savings and investment feature.

Most people do not like to think that they are going to die tomorrow, and the great majority are looking forward to supplementing their retiring income with assets they are building up in their life insurance policies. This is a very substantial number of people, and we consider it our mission in life, and the mission of the Life Underwriters Association, to do all we can to expand this coverage.

Mr. CASHIN: In my last question you objected to the Canada Pension Plan for the reasons you outlined, but since 1952 what formal representation has your Association made to the Government on behalf of the widowed, the disabled and old age pensioners in general?

Mr. KAYLER: I think, if you are speaking of a formal presentation, a brief presented to the Government, there has been no formal presentation as such during this period of which you are speaking.

Mr. GRAY: I just want to follow up the question Mr. Cashin ended with. Can you tell me why, in view of the social need to which you refer in your brief, you have not come up with a public statement before this time? It is very commendable for you to raise the question with respect to groups not covered by the Canada Pension Plan, and, as you say, who are in need now, but why have you not come forward with a public statement on their behalf before this time.

Mr. KAYLER: Mr. Chairman, rightly or wrongly the feeling of our association and its board of directors was that when the idea of a Canada Pension

Plan was first a matter of public knowledge—which I believe goes back something like a year and a half ago—our basic position was that this was a very complex, far-reaching matter. We felt strongly that the way to approach this problem was for some kind of public body to handle it, whether it was a royal commission or a joint parliamentary committee such as this.

There should be some public body of this nature established by the Government so that interested members of the public and organizations such as ours could have the opportunity to appear before this group and make our representations. We are delighted that it has finally happened, but it is not our fault that this machinery was not set up before it was so that we might have had the opportunity to appear.

Mr. GRAY: You are saying in effect that you did not consider the need pressing enough that if this committee had not been set up you would have felt obliged to make some public statement anyway?

Hon. Mr. THORVALDSON: Mr. Chairman, on a point of order! I am sure the Chairman is interested in relevancy in these proceedings, and it occurs to me it is not relevant at all whether organizations coming before us have either gone on the air waves or into the newspapers and advocated the points of view that they are expressing now.

After all is said and done I think it is well known that there have not been any parliamentary proceedings or hearings of committees in the last few years with respect to pensions and the matters that we are considering now. I am just wondering what is the object of questions like this and whether they are really fair. No doubt, the Chair will deal with the matter.

Mr. GRAY: I would like to address myself to this point. These witnesses, and I praise them for their public-spirited approach in coming forward and expressing their views, have come forward and expressed certain views as to the pressing social need for additional pension coverage of certain groups in the community at the present time.

Now, I think it is relevant to see whether or not their statement in this regard can be fully accepted or supported. It is relevant to find out if they have been raising this question on other occasions or if in fact they are taking a contradictory position.

I might say in passing that I would take issue with Senator Thorvaldson's suggestion that there have been no other proceedings in which this could have been raised. I think that in Throne Speeches, budget debates, private bills, and so on and so forth, there have been other discussions in which these questions could have been raised and where opportunity has been given to these groups to make public statements or statements to members. In fact, it occurs to me that there has been a committee sitting in the Senate for some time, the Special Commitee on Aging. When did that start, senator?

Hon. Mr. CROLL: Yes; the insurance people have appeared before that committee.

Mr. GRAY: And they should be commended for doing so, but any witness coming here expects to be given the courtesy due him, and the compliment of having his views tested by questions and discussions. But we are not saying much for a witness by just letting him come here and present his brief and have it filed.

I think it is very relevant to see why, for example in this particular instance, only this occasion has apparently been chosen to express this type of view, with perhaps the exception of the senator's committee recently.

Mr. LEBOE: On a point of order, Mr. Chairman, I agree with Senator Thorvaldson. This is not relevant to what we are doing here at all; it is merely questioning the motives of the people coming before this committee. That is it in a nutshell, and I agree with the senator.

The CHAIRMAN (*Mr. Cameron*): My point of view is that the question is verging on the field that both you and Senator Thorvaldson are talking about, but I do not think it has transgressed to such an extent that I should rule the question out of order. If a member of the committee wants this information he should have it. This is not a court of law or a matter of argument.

Mr. MONTEITH: It sounds like it.

The CHAIRMAN (*Mr. Cameron*): I would think that what we want to do is examine the contents of the brief and the opinion of the delegates now before us and their recommendations. Mr. Gray feels that he would like to know if they have ever done that before. It is a simple question and only deserves a simple answer. I think you, Senator Thorvaldson, have given a very good answer for Mr. Kayler and he will probably adopt it as his answer. In my opinion the line has to be drawn somewhere, but I don't think that the question has transgressed to such an extent that it should be ruled out of order.

Mr. CANTELON: With all deference, this is getting to be common procedure. Yesterday we had some almost rabid attacks made on one of the witnesses—

Mr. CASHIN: Oh, come, come.

Mr. CANTELON: Well, I will withdraw the word "rabid," but certainly they were very strong.

Mr. KNOWLES: Let's get on, Mr. Chairman.

Mr. CANTELON: The first day we started this kind of questioning, and now, on Tuesday, we have had the same thing happen again, and it is getting to be just a little too often.

The CHAIRMAN (*Mr. Cameron*): Well, I have made my ruling. I recognize the point raised by the members and I know there is a limit, but I am suggesting that at the present time Mr. Gray has not gone beyond that limit. He may be getting close to it. His questions were in the nature of cross-examination and what we want is not cross-examination. We want opinions from the witnesses substantiating their briefs and their recommendations.

Mr. ETHERINGTON: Mr. Chairman, if I may, I shall attempt to answer the question on this matter of the Life Underwriters Association coming forward in the past. First, may I say that our organization is primarily interested in, and it devotes a large part of its time and money to, an educational program designed to upgrade the standards of life underwriters in Canada.

On the question of motivation, in our daily work we are engaged in talking to people about their problems of providing for security in the event of death, old age and disability. On numerous occasions members of our association at all levels—officers, members of the board and private members—have discussed the problems which are now being explored publicly with individual members of Parliament. At that time we were told that there was no bill contemplated; that there was no thought that the whole structure of welfare and old age security be reviewed. Therefore, there was no point.

Now, in coming forward at this time we felt that as the matter was a matter of public interest, and was being looked at very carefully by the Government, it would be only appropriate for us to take advantage of the opportunity and the courtsey extended to us by this committee to place on the record our views.

If we have been remiss in not mounting the platform in the past perhaps there was a practical consideration involved, inasmuch as all of us in the association devote our time to its affairs, except for the executive director and his staff, on a voluntary basis, and in the meantime we spend the rest of our time, as other citizens do, in the pursuit of earning a living.

The CHAIRMAN (*Mr. Cameron*): Thank you, Mr. Etherington. I think maybe we can close off this chapter, and Mr. Gray can proceed. I would suggest to all members that they do not probe beyond reasonable inquiry into the merits

of the brief and its recommendations. Let us not get into anything that might imply we are inquiring into the motives of the delegation or the particular witness who is appearing before us.

Hon. Mr. THORVALDSON: Thank you, Mr. Chairman. That is my thought.

Mr. BASFORD: On the other hand, Mr. Chairman, we do want to examine the witnesses and not be, like the senator, a patsy for some insurance company.

Mr. CANTELON: With due respect, Mr. Chairman, we are all affected by our own views. To expect anything else but intelligent selfishness from all of us would be folly. The witnesses naturally exhibit this trait, and they should not be criticized for it.

The CHAIRMAN (*Mr. Cameron*): You can leave it to the Chair to protect the witnesses in a fair and reasonable manner.

Mr. GRAY: There is nothing wrong with intelligent selfishness, but if there are witnesses before us whose views are based on this respectable concept of intelligent selfishness then it is incumbent upon every member of this committee to ask questions to delineate the ambit of that intelligent selfishness. I am not saying that that is the case with respect to these witnesses, but I just make that comment.

The CHAIRMAN (*Mr. Cameron*): Let us proceed.

Mr. GRAY: On page 4 of the brief, paragraph 9 reads:

> The proposed Canada Pension Plan will not accomplish this fundamental objective and can never fully do so despite any amendments that could be enacted so long as it is subject to the limitations of a contributory earnings related pension plan.

Is it not a fact that the companies with which your members are associated sell contributory earnings related plans?

Mr. ETHERINGTON: That is a fact.

Mr. GRAY: Do any of your companies sell private pension plans based on flat rate benefits?

Mr. ETHERINGTON: Yes.

Mr. GRAY: What percentage, would you estimate?

Mr. ETHERINGTON: I would like to ask Mr. Mitchell to comment on that question.

Mr. MITCHELL: Well, in the first place, insurance companies are selling precisely what the public wants to buy, and almost anything that can be designed actuarially can be sold. Now, some of these plans provide benefits that are purchased by a flat number of dollars. In other words, the benefit itself will increase depending on what it will buy from time to time. Other plans provide flat amounts at a given point in the future, and the contributions over a period of time are adjusted in order for that objective to be obtained. Is that what you are asking, or—

Mr. GRAY: No, I should like to know—what you have said is very interesting and helpful—whether any of the companies with which you are affiliated sell plans that operate in a similar manner to the Old Age Security; that is to say, within that group everybody contributes a percentage of their incomes in the manner of the Old Age Security tax, and when they reach retirement everybody gets exactly the same payment.

Mr. MITCHELL: Yes, this is done not infrequently. However, I think there is one very serious difference between the approach of the Canada Pension Plan, shall we say, and the ones that are provided in private enterprise in that the benefits that are received by the individual are in direct proportion

to the contributions that are made by that person and on his behalf, as opposed to the Canada Pension Plan where the contributions that are made have no relationship whatever to the benefit that will ultimately be received.

I was asked a few moments ago about whether or not we had compared the benefits available in other countries with what is proposed here in Canada. Let me make only one comment with respect to social security in the United States. One of the saving graces in that particular plan, speaking now politically as well as economically, is that the benefits that are provided under social security in the United States are in direct proportion to the contributions that are made by the individuals to the plan. In other words, they say to the people that if they want another 5 per cent increase in benefits, like they are talking about now, then that is going to cost them so many dollars. This is one of the things that does not obtain in the Canada Pension Plan, and it is one of the areas upon which the Canadian Life Underwriters Association has found it necessary to comment. In other words, here you are really talking about a welfare scheme; you are not talking about a pension plan *per se* in the normal sense. We are suggesting this is a very different thing altogether.

Mr. GRAY: Would you agree that the great majority of private pension plans sold by the companies with which you are affiliated are contributory earnings related?

Mr. MITCHELL: Yes, I do, and I think there is a very good reason for it. When a person is getting close to retirement date, or when he does reach retirement date, he has established a certain standard of living, and it is necessary for people, perhaps, in the larger centres where the cost of living is greater to need more benefits in retirement than some other people. We are not talking now about welfare.

Mr. GRAY: Is not what you have just said a very good argument for any pension plan provided through Government to be also related to earnings so that the pension a person gets will be linked to the standard of living he has before retirement?

Mr. MITCHELL: Perhaps I have not made myself too clear. Perhaps I should give you a couple of figures. I costed before I came down here what it would cost for an individual who was aged 55—in other words, as you know, under the Canada Pension Plan, if you come into the plan at 55 and retire at 65 you get the full benefit, whereas if you come in at 18 and contribute all the way through to 65 you are going to get precisely the same benefit.

Now, to buy $104 a month at age 65 on a male life contributing for 10 years, would cost—if you could get $104 a month, although it is limited, as you know, to $100—$943.31 a year. Now, under the Canada Pension Plan as proposed the contribution by the individual is something less than $80—it is $79 and change—and a similar amount by his employer, so we are talking about $160 a year coming in for 10 years, as opposed to a cost of $943.31 per year.

Now, it is quite apparent, therefore, that we are subsidizing very strongly those people who happen by accident of birth to be exactly and precisely at age 55 on January 1, 1967, and therefore obtain the maximum benefit. On the other hand, if a young fellow at age 20 comes into the plan and contributes the $80 a year himself and a similar amount by his employer the benefit provided by his contribution is about 35 per cent more than what he is going to receive. In other words, the young people today are going to be subsidizing the older people who are there now.

Mr. GRAY: Is not that what we are doing right now?

Mr. MITCHELL: I suggest this is welfare, and not pension.

Mr. LLOYD: No.

Mr. GRAY: Is not that what we are doing right now?

Mr. MITCHELL: No, it is not what we are doing right now, because in private enterprise or in company pension plans the benefits that the individual receives are at least equal to what has been contributed by him and on his behalf. Now, it is true that we are, in company pension plans, contributing different amounts for different people, depending upon their age—

Mr. GRAY: And their income.

Mr. MITCHELL: Yes, and based upon their income, but you do the same for the young fellow as you do for the old fellow at the different points in time.

Mr. GRAY: Well, sir, you have just alluded to something which I understand is part of common practice in plans sold by companies with which you are affiliated, and that is the provision of paid-up credits for past service by the employer.

Mr. MITCHELL: That is right.

Mr. GRAY: Does that not mean a windfall to the man who has not made his own contribution because he is close to retirement when the plan comes into effect?

Mr. MITCHELL: This is existing naturally over a period but not at the expense of those who come to retirement later on.

Mr. GRAY: I gather, then, that you do not criticize this approach that the money for the past service credit comes from the employer?

Mr. MITCHELL: Not at all.

Mr. GRAY: If it could be demonstrated to you that all or most of the contributions to provide the full pension for a person to retire under the Canada Pension Plan could be provided from the employer, then you would have no objection to that?

Mr. MITCHELL: No. I think perhaps you are taking an extra step because there is then a highly discriminatory area in which the Canada Pension Plan is now proposing to operate and if you are thinking of any kind of welfare benefits the first thing is to look at any priorities, and we are not sure that those are priorities to be considered.

Mr. GRAY: Is this welfare or social insurance?

Mr. MITCHELL: I do not know. Take your choice.

Mr. GRAY: Speaking of priorities, I was interested to note your final paragraph 26, which refers to the need for an overall evaluation to look at priorities in relation "to the cost of other growing and critical demands on our economy for education, health care, and other public projects". You say then:

> This kind of overall evaluation seems essential before an intelligent decision can be made as to whether Canadians should be committed now to a program of escalating cost to provide a further level of government pensions which by most reasonable standards seems excessive.

I gather that in this you are suggesting that if this Canada Pension Plan comes into effect further funds would be taken away from individual savings, and so on, which might be used for these other purposes.

Mr. MITCHELL: I think that is so.

Mr. GRAY: Would it not be logical then to go a step further and recommend a freeze of the private pension plans so that there may be no risk of not having money available for this type of public investment?

Mr. KAYLER: I think that once again we are perhaps twisting welfare and pension plans. If you are producing a pension plan that is fully paid for by

your people and the individuals themselves and by their employers, this is a different thing from making a charge on taxation for welfare and getting a select group to receive the benefits. It is a different thing.

Mr. GRAY: From the point of view of aggregates of national income, whatever money is taken out of the national income screen for it is out.

Mr. KAYLER: Do you suggest we do not buy any more houses?

Mr. GRAY: I am not suggesting that. It occurs to me in reading paragraph 26 and the preceding paragraph which seems to go along with it, that you want to suggest a cause of analyzing priorities, for fear of getting some portion of the national income screen committed and not having the portion now committed through the sale of private pension plans or invested in public pension plans, that there ought to be a freeze on private pension plans so that the money will not be tied up in a way which might turn out not to be the best priority.

Mr. KAYLER: I think our feeling was that it was only relevant for us to comment on the public sector, because the whole issue of the Canada Pension Plan involves the collection of taxes and the spending of them. Our only purpose in raising this question, is that we understand there are many other pressing needs for taxation. We feel that it would be wise that the government of the day be satisfied that the tax money which is going to be available is being spent in the areas of greatest need first. This seems to be quite a separate question from what goes on in the private sector.

Mr. GRAY: Was not this very serious problem you raised partially answered at least by the fact that it is proposed that the funds collected by the Canada Pension Plan be made available for investment by the provinces in what it is suggested might be the greatest sources of public need at the present time.

Mr. KAYLER: Again, we have to go back and say that our chairman has pointed out that we are not economists. We make no pretense of being economic experts. We have raised this question as a question of concern, partly because some thinking people, and apparently experts in this area, have expressed the same view. This is not a major presentation as far as our association is concerned but it seems to us that it is an area which should be considered.

Mr. LEBOE: On a point of order, Mr. Chairman, I am not on the point of asking any questions, so I think it is appropriate for me to raise this point of order. If every member is going to take the allotted time that this member has had to question the witnesses, we will be here until midnight with these witnesses, if everyone is to get a chance.

The CHAIRMAN (*Mr. Cameron*): I am sure Mr. Gray will take note of that.

Mr. GRAY: I will complete my questioning. I had not been watching the time.

Hon. Mr. THORVALDSON: I think the questions are away outside the submission that has been made.

The CHAIRMAN (*Mr. Cameron*): It is a question of opinion.

Mr. BASFORD: If the brief is important, we should be prepared to stay here until midnight.

Mr. LEBOE: We have two other organizations to deal with.

A MEMBER: We can ask them to come back next week.

Mr. GRAY: I had not been watching the time. The brief was interesting and stimulating and the time seemed to pass. I will end my questioning and leave the ground to the next person.

Mr. MUNRO: I was interested in the recommendations of the Life Underwriters Association, especially in regard to old age security. As I understand it, these recommendations are pretty well summarized on page 22 of the brief.

Mr. KAYLER: More precisely on pages 7, 8 and 9.

Mr. MUNRO: On page 7 you are recommending $75 a month payable from age 65 to single persons and to married men with wives under age 60. You also recommend $125 per month payable as a family benefit during the period that a married man is age 65 or over and his wife is between age 60 and 70. Then you go on to deal with a provision for widows, and so on. Have you any estimated cost, even roughly, of this? I realize it would be difficult to have it specifically. Can you estimate what it would entail?

Mr. KAYLER: We have not made any calculations as to the cost of any of this, for the reasons which we have already suggested, that we do not have facilities for doing this. This is why we feel we cannot presume to come before the committee and be dogmatic in stating that we think the level of benefits should be specifically some amount. Your question is very fair and very logical but we have to confess that our presentation to this committee is on the basis of principle. We have made suggestions that seemed to indicate the line in which our thinking is going, but beyond that we are not prepared to be precise.

The CHAIRMAN (*Mr. Cameron*): I would think, Mr. Munro, that you would get that information by directing a question to Mr. Osborne.

Mr. MUNRO: In your recommendations, as I see them, you are not making any recommendation for any increase in old age security for those persons presently retired at age 70 and over and now receiving O.A.S.

Mr. KAYLER: We are recommending in principle that the $75 figure should be reviewed not only now but periodically in the future. We tried to say this in page 8(c). We think there are two areas to be considered, both the across the board level and also this other factor which has been raised, that perhaps the people in retiring areas should be looked at in age categories and that there may be a different level of benefit, increasing the level of benefit for the people in the higher age categories. Again we are not prepared to be specific, because these are questions which can only be determined by very elaborate and complete reviews.

Mr. MUNRO: In regard to the recommendations that you made specifically on page 7 and page 8, there is no recommendation there for any increase in old age security for those persons, that you estimated at one million elsewhere in your brief, age 70 and over. I took the interpretation from paragraph 14 on page 9, that these suggestions are worthy of consideration, and that is why I bring it up. On page 9, in paragraph 14, you say:

> The association believes that the implementation of these recommendations—

Presumably this refers to the recommendations you have made on pages 7 and 8—

> Both as to timing and as to amount should be determined only after due evaluation of the relative urgency of additional pensions in relation to the whole spectrum of welfare and educational needs in Canada.

I take it that you were not recommending any increase, or you would have said so, in the $75 for those persons over 70; but you were making these recommendations that you have enumerated.

Mr. KAYLER: Yes, but again because we are trying to illustrate our principle. Presumably we could have said under paragraph (c) "consider raising the $75 a month to $80, $90 or $100 a month," or any figure you may take. But we felt this would not be helpful to the committee, because we are not prepared, for the reasons I have given, to substantiate that document from an economic point of view, as to precisely what these benefits should be. Let me make it clear that we are not against the possibility of raising the $75 a month, but we think

that if we cannot come up with something specific which we are prepared to document, it would be presumptuous on our part to be saying that it should be a specific amount.

Mr. MUNRO: I take it that you are not prepared as an association to go on record at this time recommending an increase in the O.A.S. Would that be fair to say?

Mr. FRASER DEACON (*Chairman, Taxation and Legislation Committee, Life Underwriters Association of Canada*): We feel that the Government has economists and statisticians throughout the country better equipped to say whether or not the plan should be increased, but we are not against it being increased if the need is demonstrated.

Mr. MUNRO: Mr. Chairman, through you, would it be fair to say that even the recommendations you do make on pages 7 and 8 are subject to the qualification of paragraph 14? In other words, do you advise we do not do this until the overall review as to priorities is undertaken?

Mr. KAYLER: That is correct.

Mr. MUNRO: I think you suggested elsewhere that perhaps under the Canada Pension Plan with, as you refer to it, its rather complicated recommendations, this would also entail later on a review by a royal commission. Is it fair to say from your brief that it would appear a review would be needed in either case, whether we adopt your recommendations of expansion of old age security or proceed with the provisions of the Canada Pension Plan?

Mr. KAYLER: So far as proceeding with the Canada Pension Plan, and if any weight is given to our argument that there is a need for this full area of expansion of our welfare needs in Canada, we are not experts in parliamentary procedure. If it is within the terms of reference and the capacity of this joint committee to summon before it witnesses and obtain research and data to do this, it is perfectly fine. We have no preference for the way it is done, as long as it is in fact done.

Mr. MUNRO: You have also pointed out in your brief that the American social security system does not provide benefits even at the level of our $75 a month old age security. When you pointed this out I took it to be logical that perhaps on a relevant basis of comparison with the American system you thought the $75 a month was adequate. But that may be an unfair inference.

Mr. KAYLER: I think our main purpose in making the observation was that, compared with the United States, apparently we are doing pretty well in this area. This is not to say we should not try to do better, but it seemed to us that when by comparative standards we are doing a fair job in this area, it would be logical for us to be addressing our concern to those people who are widowed and disabled and not covered at all at the present time and who would not be covered under the fullest Canada Pension Plan, and that consideration should be given to this area first before we become too excited about improving our relative position with the United States.

Mr. MUNRO: One final question. On page 15 of your brief, at the top of the page you say:

> Based on non agricultural population it has been estimated that 14 per cent of husband and wife families could eventually qualify for government pension benefits varying from 100 per cent to 175 per cent of pre retirement earnings. Another 11 per cent could qualify for benefits ranging from 75 per cent to 100 per cent of pre retirement earnings. Another 22 per cent could qualify for benefits of 56 per cent to 75 per cent of pre retirement earnings. (b) The statistics in (a) relate to the

lower 47 per cent in the earning scale but the proposed C.P.P. would also make quite a startling impact on persons who already have generous pension plans.

Now, your figures of 100 per cent to 175 per cent are referring, I take it, to appendix I in the schedule attached to the brief of the Canadian Life Insurance Officers Association?

Mr. KAYLER: Yes, for this information we asked the life officers, who have a research department, if they had access to any figures which compared this relative amount of government benefits with the wage earning levels of Canada. They provided this, which we subsequently saw was included in their presentation to this committee.

Mr. MUNRO: Do you think that the percentages are too high?

Mr. KAYLER: Not necessarily. Our main point in the observations, both in (a) and (b) under paragraph 18, was to indicate that as to the contemplated level of government benefits which rises to this fairly high percentage in relation to earnings, we think it is ground for wondering whether going on to this level is really a matter of priority at the present time when there are still widows and orphans and disabled people who are not getting anything. We do not necessarily say that this is the wrong way for these particular people. If everybody in the country was able to have this it might be a fine thing, but it is again to illustrate our point that there are other basic needs getting into this level of benefits.

Mr. MUNRO: Your highest percentages here relate to those wage earners in the lower income brackets?

Mr. KAYLER: Yes.

Mr. MUNRO: And you used this as an example to point out, as you indicated, the general level in benefits here. Do you recommend that these percentages be increased, that is, this 100 per cent to 175 per cent?

Mr. KAYLER: In line with our basic recommendations that we think the flat benefit system should, first, be expanded to include others who should be covered and, secondly, increase the $75 to some higher figure. If you take a husband and wife, the amount of earnings would be $1,800, and this is obviously 100 per cent of people who were earning $1,800, and we have no objection to that. If the flat benefit amount is increased beyond $75 a month it will further increase the percentage, and we have no objection to that. Our concern is that this thing apply equitably, and not proceed to give people 100 per cent or 150 per cent or 175 per cent pensions, when there are other people in our society who have nothing other than what old age security will provide.

Mr. MUNRO: Would you agree, though, that this Canada Pension Plan, assuming that it is implemented, for the sake of argument, will provide for future generations? I think you have indicated that in 25 years' time the vast majority of Canadians would be covered in one way or another under the plan, which would provide for those Canadians in their old age.

Mr. KAYLER: It would provide certainly for the vast majority, eventually, after 25 or 30 years, whatever the period of maturity is. However, the thing which concerns us greatly is that from a government point of view the philosophy is, and we think quite rightly so, that covering 80 per cent or 85 per cent of 90 per cent of the population is not good enough. There are still 10 per cent, and this presumably includes the people in greatest need in this country. Surely if there is government responsibility it is in this area.

Private enterprise is sometimes criticized that it has not been able to bring the benefits of pensions and insurance to 100 per cent of the citizens

in Canada. We obviously cannot do so, but we think that it would not be sound for government to be settling for something less than 100 per cent, because this is the only thing that you can justify when you are talking in the area of welfare.

Mr. MUNRO: Of course, that is if the Government would abdicate all responsibility for all very low wage earners in the 10 per cent area. There have been other programs to assist these people, do you not agree?

Mr. KAYLER: I think the present assistance programs, Mr. Chairman, would have to continue to stand or fall on their merits. Still, whatever is done in the expansion of flat benefits, both as to age and amount, there may still be specific areas that require something special in the way of assistance. We expect it to decrease, and I think the experience actually has been that even what you consider modest increases in old age security—and these have happened periodically over the last 10 or 12 years—it is a fact that the degree to which the assistance programs were used decreased somewhat. However, they certainly have not been eliminated, and probably never will be.

The CHAIRMAN (*Mr. Cameron*): Senator Croll.

Hon. Mr. CROLL: One of the advantages of being fourth or fifth on the list of questioners, is that following men like Cashin, Gray and Munro, one finds they have asked all the questions. Therefore, we shall not be here all hours of the night, I assure you.

Just for the record, I answered a question that Mr. Gray asked me, and I think I should say, in fairness, the Canadian Life Insurance Officers Association appeared before the Committee on Aging and presented a very extensive and excellent brief. The underwriters were never invited. I do not think I knew you were in existence. Looking at the record for 1952, the Canadian Life Insurance Officers Association also appeared at that time, and I think you people spoke through them. That is for the record.

Now, let me see if I can get agreement on something. You discussed for a few moments the American plan. Let us see if these figures are correct. If they are not, correct them. When the Americans went into their plan 30 years ago they had about 10 per cent of the labour force covered in private pension plans, and the evidence before us the other day was that they now have about 70 per cent receiving an average of $75 per month. The evidence before the committee in Ontario was about 40 per cent of the Ontario labour force was covered. I am not sure whether we have the evidence on the record, but it may be in there some place, that about 20 to 25 per cent of overall Canadians in the labour force are covered. Is that a fair statement? Does that sum it up? Can someone disagree or agree with me?

Mr. MITCHELL: I think your figures are substantially correct. I do not have them before me, but my recollection of the U.S. figures when social security was introduced there is that about 7 per cent were covered; and your other figure of 30 per cent I think is correct. I also believe your figure of 40 per cent, from the recent figures re Ontario, is substantially correct. I think the one for Canada is a little higher than 25 per cent. I think it is over 30 per cent. This is, again, speaking off the top of my head.

Hon. Mr. CROLL: Just one thing occurs to me. I have seen and heard and read that Canadians are the most over-insured people in the world. Is this because of your great competence, or is it because there is a gap and people want social security of some kind or another, and we have not been able to fill that gap, and no one else has?

Mr. ETHERINGTON: With deference, Senator Croll, may I suggest the elimination of one word from that statement?

Hon. Mr. CROLL: All right, I will take back "over-insured" and say "insured". Percentagewise, I have seen the figures time and again.

Mr. ETHERINGTON: On a per capita basis you are correct: Canadians are the largest buyers of life insurance. On the other hand, when one divides the total amount of insurance in force by the population, the average figure is a very modest one. I do not know if any of my colleagues have any comments on that figure.

Mr. MITCHELL: It is $11,000 per family, I think.

Mr. KAYLER: Perhaps the more meaningful statistic in this area is that the life insurance coverage of Canadians is approximately 1¾ years national income.

Mr. ETHERINGTON: Gross national income.

Mr. KAYLER: This is an average figure. Some people have their earnings covered to the extent of 8 or 10 times earnings, and some people have none at all; but the average works out about one year and nine months earnings would be continued through life insurance. We do not think this is an extravagant amount.

Hon. Mr. CROLL: You do not think so, but it is higher than it is in other countries. That is my point. It would be helpful if you could give us some reason. We ask ourselves the question, and we do not know the answer. It would be important to have the answer, and I thought you might be able to give it to us.

Mr. KAYLER: We can give you our answer as to why it is a little higher in Canada than some other countries. We have to preface this perhaps by saying we speak from a position of prejudice in this particular respect.

It is a fact that in no other country where life insurance is sold to any extent has the process or means of selling life insurance been developed through the medium of a full-time, reasonably well-trained career agency force to the degree that is the case in Canada. The aim of the Life Underwriters Association of Canada, which we represent, since 1906 when it was founded, has been to deal with, in every way possible, this concept that life insurance sales and service should not be a catch-as-catch-can operation on a part-time basis, but that to every extent possible it should be a career which is attractive, which is full time and in which people are required to study and improve their capacity and knowledge. It is only reasonable to expect, I think, that under this kind of system we have had higher amounts of life insurance sold in Canada than any other countries. In actual fact, today a good 90 per cent of life insurance annuities sold in Canada are sold by people you could classify as full-time, career life insurance agents.

If you move to the United States, there are no specific figures that are processed, but estimates we have received indicate there are something like a quarter of a million people licensed to sell life insurance in the United States. Our sister organization there, the National Association of Life Underwriters, as it is called, has a membership of only about 75,000 or 80,000, a relatively small percentage of this vast number. This is explained by the fact that a very substantial number of these quarter of a million people are part-time people. They are in other businessses; they are in other jobs; they have taken on life insurance selling as a bit of a sideline to pick up a few extra dollars. This is not the kind of thing that serves the public well, in our opinion, so far as meeting the need for giving life insurance service and advice. Fortunately, in Canada we have made a lot more progress in this direction, and that is the explanation we have for the fact Canadians are better insured than any other nation.

Hon. Mr. CROLL: And a very good explanation, I might say.

Mr. MONTEITH: Mr. Chairman, if I might just ask a question. I understand from your brief that you believe the Canada Pension Plan to be a pension plan as such, not a welfare scheme.

Mr. KAYLER: Our feeling is that the kind of pension plan proposed is, in fact, a welfare scheme.

Mr. MONTEITH: It is, in fact, a welfare scheme, but in your estimation it does not cover a great number of people who should be covered in a welfare scheme?

Mr. KAYLER: Yes, right.

Mr. MONTEITH: We have seen some graphs presented by the Life Officers to the effect that by 1976 there will be something like 67 per cent of the population in that age group which will not be benefiting at all from the Canada Pension Plan. You accept those figures too, do you?

Mr. KAYLER: Yes. Again, we have no research of our own to substantiate this, but we have no reason to doubt it.

Mr. MONTEITH: You are laying stress on the fact you think that any scheme we bring in should be a broader scheme and attempt to take in these categories which are now left out. You do not limit the amount to $75. You say this should be reviewed by an apropriate body. You are saying that in addition survivorship, disability, orphans, lesser age and this large number now left out should be brought in under old age security. You have your specific recommendations here, and you mentioned the possibility of an increase as the age level rises. Have you any thoughts or any evidence at all that this probably should be done, or have you any thoughts as to how we can find out whether or not it should be done or might be considered—put it that way?

Mr. KAYLER: Mr. Chairman, we realize this is a statistical problem and that it requires basic data. Again, this is something we cannot help the committee with. We wish we could, but we cannot. We are aware of some work that has been done by W. M. Anderson, who is the chairman of the North American Life in this area. I am not certain whether or not he has appeared before this committee.

Mr. MONTEITH: Yes, he has.

Mr. KAYLER: I think that he has, presumably, a source of information as to where additional data is forthcoming. I think he feels he has made some progress in this area himself, but I do not think even he pretends to have the final answer.

Mr. MONTEITH: Mr. Chairman, I do not know whether this is the time or not, but I wonder if we might, as a committee, ask Mr. Osborne if he could compile some figures as to the approximate annual cost of recommendations of the Life Insurance Underwriters as set out under paragraph 12?

The CHAIRMAN (*Mr. Cameron*): You had better ask Mr. Osborne if he feels that is something which is feasible.

Mr. Osborne: Yes, certainly, Mr. Chairman, we will make the estimates we can.

Mr. MONTEITH: And paragraph 13 as well.

The CHAIRMAN (*Mr. Cameron*): Which is the other paragraph?

Mr. MONTEITH: Paragraphs 12 and 13.

The CHAIRMAN (*Mr. Cameron*): You want an estimate of the figures from Mr. Osborne. Is it agreed that Mr. Osborne will secure that information?

Mr. KNOWLES: When Mr. Monteith asks for that what does he have in mind under paragraph 12(c)? How can Mr. Osborne prepare a cost for a figure which is not stable?

Mr. MONTEITH: The Underwriters indicated that they felt that the $75 the figure should be reviewed from time to time in a predetermined manner. However, I am going on the basis that we have here, using the $75 figure which now exists.

Mr. FRANCIS: In other words, there is no adjustment for paragraph (c).

Mr. MONTEITH: There would be adjustment from time to time.

Mr. KAYLER: Concerning widows and disabled people under paragraph (d), you would use the $75 figure, and there would be $25 for orphans.

The CHAIRMAN (*Mr. Cameron*): Mr. Osborne would like to get some enlightenment on exactly what you want.

Mr. OSBORNE: I would like to know the specific benefit to be paid to widows and what the specific age would be. That is paragraph 12 (d).

Mr. KAYLER: You might use the age suggested in the Canada Pension Plan.

Mr. MONTEITH: That would be fair.

Mr. OSBORNE: May I remind you that in the Canada Pension Plan there was a scaling down between the ages of 35 and 45 for widows. Do you want a similar scaling down for these widows?

Mr. MONTEITH: All right.

Mr. OSBORNE: It says "Provision for widows above a specified age". Is the $75 a month what you have in mind?

Mr. KAYLER: Yes.

Mr. OSBORNE: Thank you.

The CHAIRMAN (*Mr. Cameron*): That is agreed, then?

Mr. CÔTÉ (*Longueuil*): I wonder, Mr. Chairman, if I could ask a question.

The CHAIRMAN (*Mr. Cameron*): I do not think Mr. Monteith is quite through.

Mr. CÔTÉ (*Longueuil*): I did not quite understand an answer to Mr. Monteith. Did you ask him if they said that in 20 years from now about 30 per cent of the people will be covered by this plan?

Mr. MONTEITH: Graph 2 in the brief of the Canadian Life Insurance Officers Association indicated that in 1976 some 67 per cent of the people in that age category would not be covered by the present Canada Pension Plan.

Mr. CÔTÉ (*Longueuil*): And the witness agreed to that?

Mr. MONTEITH: I don't want to put words in the mouths of the witnesses, but they indicated that they did not have the figures themselves and were going more or less on what the insurance officers had produced.

Mr. CÔTÉ (*Longueuil*): I was concerned because at the top of page 5 they say "it will take at least 25 years before the Canada Pension Plan will provide retirement benefits for its maximum potential of 85 per cent to 90 per cent of those in retirement."

Mr. KAYLER: Well, Mr. Chairman, we make this just as the statement of laymen. Obviously, people who are now less than 70 or 65, whichever age you want to take, may be in the retirement category. The retirement category covers a range of roughly 25 years, so that when you are starting a plan off from scratch it is going to be something like 25 years before you have everybody in the plan to the extent that they will be actually covered.

Mr. MONTEITH: I think we asked Mr. Osborne for figures in that respect from the years 81 to 86.

Mr. OSBORNE: Eighty-six?

Mr. MONTEITH: Yes, a comparable picture to that chart 2 in the Insurance Officers' brief. We asked for some other years also.

Mr. KNOWLES: Mr. Chatterton started this.

Mr. OSBORNE: We have 1970, 1975, and 1980. Did you want to go to 1985 as well.

Mr. MONTEITH: Whatever Mr. Chatterton asked for is all right.

Mr. OSBORNE: All right. We have not yet seen the record of Mr. Chatterton's question.

Mr. LLOYD: Mr. Chairman, I think that such a calculation of statistics, if I may observe a point of order here, in itself requires some observation by our advising economist on the implications of following such a practice.

We do have the economic implications of the Canada Pension Plan in submissions made to us by Mr. Bryce, but if you are going to ask for these calculations of costs, Mr. Monteith, may I suggest that we should invite Mr. Bryce to comment also on the economic implications of this approach?

Mr. MONTEITH: I have no objection to that; I would be very happy to have him do so.

Mr. LLOYD: It would be much more meaningful to us. The witnesses themselves have admitted that they do not claim to be authorities in the economics of this operation. I think we should have this from Mr. Bryce.

Mr. MONTEITH: I would be happy to have him.

Mr. LLOYD: I think we should have some comment by Mr. Bryce on the appropriate economic implications involved in following your line of questions.

Mr. OSBORNE: May I say, Mr. Chairman, that in the actuarial report, page 499 of the proceedings, it shows that widows' benefits under the Canada Pension Plan would be $18 million in 1970. Under this proposal widows' benefits would be $261 million in 1970. On the same page the actuarial report for orphans' benefits would be $14½ million, where as under this proposal, at $25 each, the orphans' benefits in 1970 would be in the neighbourhood of $117 million.

Hon. Mr. CROLL: As against 14?

Mr. OSBORNE: $117 million as against $14.5 million.

Mr. MONTEITH: Could I ask for an explanation of the variance in the two figures?

Mr. OSBORNE: The numbers of people involved, Mr. Chairman, in each case is much greater if you are extending a flat rate benefit to all widows and orphans in the country.

Now, I may not have understood correctly the proposals of the Life Underwriters Association with regard to orphans' benefits. Would they or would they not pay an orphan's benefit to a parentless child? Or would they only pay orphans' benefits to children who had widowed mothers?

Mr. KAYLER: Our thought, Mr. Chairman, was that the description of the category "orphan" as put forward in the Canada Pension Plan is fine. We go along with this and would make no change in it.

Mr. OSBORNE: You differ from the Life Insurance Officers' proposals, then. They said that it would cost $35 million to meet their proposals.

Mr. KAYLER: Mr. Osborne's figures are not at all surprising to us, and I think they illustrate much better than we have been able to do the burden of our presentation—that there are a lot of people in these categories of hardship whom we are forgetting about, and it is a good yardstick as to what extent we are forgetting them.

Hon. Mr. THORVALDSON: Would you give the page, please?

Mr. OSBORNE: That is page 499. That page gives the actuarial figures for the Canada Pension Plan. The other figures were from some work I had done myself.

Mr. MITCHELL: Examples like this make us feel that political pressures will become intolerable later on. They will become tremendous. There will be pressure to make supplements which would bring additional cost burdens on the economy. This is the whole basis of our submission. First things first. We

feel that it is too important a matter to be disregarded, and this brings us back to the whole theory of flat benefits.

The CHAIRMAN (*Mr. Cameron*): It is a very salutary rule to put first things first.

Mr. FRANCIS: I have a supplementary question related to Mr. Osborne's figures. The statement given by the Life Insurance Officers Association on orphan's benefits was $35 million. I would like to ask Mr. Osborne first, bearing in mind that this is the estimate of the association, whether there has been any check or verification of this estimate by Mr. Osborne or his staff?

Mr. OSBORNE: I discussed it with Mr. Dimock when that association appeared before you, and he pointed out to me that they had included only orphans who had widowed mothers caring for them. They had not included full orphans; that is, those who had neither parents living. In 1970, according to my projections, there would be 196,000 of these. There would be 192,000 fatherless children with widowed mothers, and about 45,000 motherless children with widowed fathers, but I did not include those in the figures I gave you.

Mr. CASHIN: I have a supplementary comment about what the Underwriters said about the disparity of the figures. It should be noted what the Government intended to do here; the orphans covered are those orphans of contributors or people who were contributors.

Also, when you make comments such as you have made, you are assuming that nothing is being done now under present types of welfare systems or programs. You are not taking into account that any of the widows have received life insurance to take care of these orphans.

Mr. FRANCIS: Yes, there are existing public programs.

The CHAIRMAN (*Mr. Cameron*): Mr. Monteith, are you through with your questions?

Mr. MONTEITH: Yes.

The CHAIRMAN (*Mr. Cameron*): Then, I shall ask Mr. Lloyd to proceed, and then Mr. Côté and Mr. Knowles. I have you down, Mr. Macaluso, but not in the first three.

Mr. LLOYD: Mr. Chairman, I heard the observation that the Canada Pension Plan was a welfare proposition. I wonder if the gentleman who made this statement would agree with this observation, that to the extent a wage related plan is adopted—a wage related plan or an earnings related plan—we substitute Government taxation to provide benefits instead of private savings and the income from the investment of those savings—is not that really what we do?

Mr. MITCHELL: I think, Mr. Chairman, this is substantially true, except why go through the exercise of collecting contributions if it is a matter of taxation that you are using. In other words, one of the big complaints that I run across, as a man in the pension field and one who spends a great percentage of his time on these matters, is that the benefit that the individual gets for his 1.8 per cent contribution, or his $79.40 a year plus his company's contribution of a similar amount, is a pension of $104 and change at age 65. Let us assume he is in a plan which requires an employee contribution of 5 per cent. Let us keep the pay at $5,000 a year so that we are comparing equal with equal. Then, he is contributing 3.2 per cent of his pay towards a company provided, and a company contributory, pension plan. He suddenly finds his 3.2 per cent plus an equal amount paid by his employer does not buy anything like what the 1.8 per cent multiplied by 2 buys. In other words, there is no relationship between the benefits provided and the contributions that are put in.

Mr. LLOYD: Obviously, the answer to that is that you are asking the individual to spend less of his disposable income so that he might accumulate in concert with his employer through the service provided by the underwriters

and by trustee plans—he is going to spend less of his disposable income now in order through savings to provide a larger benefit at a later date, whereas under the Canada Pension Plan he is sharing with all other Canadians the opportunity at a lower rate now to obtain a larger benefit later without the savings feature that you have described. Is not this the basic difference?

Mr. MITCHELL: No. I think this is true—

Mr. LLOYD: Whether this is right or wrong, Mr. Mitchell, in terms of economic or social philosophy this is a fact, is it not?

Mr. MITCHELL: Except for one thing, and I hate to be splitting hairs, Mr. Lloyd, but he is not sharing it with all other Canadians. In other words, some of them are going to be reaping rather substantial benefits.

Mr. LLOYD: Well, you admitted earlier you had not gone into the economic implications, but I suggest to you he is sharing in it because of the fact that the employer is involved in producing goods for the market place and he tends in the long run to shift to the consumers his portion of the cost, so, in that respect, he is sharing.

Mr. MITCHELL: All right.

Mr. LLOYD: Now, you mentioned, Mr. Etherington, that you had not studied the economic implications of the plan. I think you said that you felt you did not have sufficient information, or something like that.

Mr. ETHERINGTON: That is correct, Mr. Lloyd. We do not have within our resources economists, nor actuaries.

Mr. LLOYD: Have you studied the implications of this kind of a plan on the investment policies of insurance companies, and what it might mean to you?

Mr. ETHERINGTON: No. I think I commented to the effect in my opening statement that insured pension plans in Canada represent about one-fifth of the total private pension industry, and I also commented to the effect that the members of our organization—the great majority of the members of our organization—feel that focusing, as it will, attention in the area of retirement benefits the Canada Pension Plan in whatever form it takes will undoubtedly increase the interest of Canadians in this area, and it is felt by our members that the resulting effect on our business, if you like, will probably be good.

Mr. LLOYD: Well, apart from trying to get down to something which appears to me must have occupied the attention of those in the life insurance field, it seems to me that you would have made, regardless of whether you had authorities in the economic sector advising you, some study of this plan in an appraisal of the effect of it on your investment policy in the life insurance field, because as Mr. Bryce points out at page 417 of No. 8 of the committee's proceedings:

> If funds from the Pension Plan should provide a substantial part of the net new borrowing requirements of a province, it may be expected that the province would wish to make some of the funds available to provincial agencies, institutions or municipalities.

He goes on to say:

> A consequence of these developments would be that the investment dealers, as underwriters of provincial securities, would see this part of their Canadian dollar underwritings reduced. It is estimated that about 10 per cent of their Canadian dollar underwritings have, in recent years, taken the form of net new provincial securities.

You have not read this part. I think Mr. Mitchell said he had.

Mr. MITCHELL: Yes.

Mr. LLOYD: Does this have an implication to people in the insurance field?

Mr. ETHERINGTON: Mr. Lloyd, we are not underwriters of securities.

Mr. LLOYD: But you are investors in provincial Government securities.

Mr. ETHERINGTON: The companies we represent are investors in provincial government securities.

Mr. LLOYD: Then, Mr. Bryce went on further. He tries to study the effect of this building up of a large fund for investment under a pension plan, and he says:

> If total national saving were to be unchanged, as a result of the Pension Plan, the financial intermediaries would have a relatively smaller amount of funds available for investment, and there would be a correspondingly smaller demand for funds by provincial authorities.

Then, conversely:

> If national savings should increase as a result of the Pension Plan, as could well happen in the early years, there would be a tendency for financial intermediaries to have available on balance a supply of funds relatively larger than the demand for funds. In these circumstances, financial intermediaries could be expected to search out ways and means of placing their funds profitably, and this could lead to some lessening of pressures on interest rates, and perhaps to greater reliance on domestic markets for borrowing.

However, he does go on to say that it is possible to exaggerate these effects.

Have you studied the implications of this on your investment portfolios, and your investment opportunities in the insurance and the pension fund fields?

Hon. Mr. THORVALDSON: On a point of order, Mr. Chairman, has this any relevancy? I wonder if Mr. Lloyd would explainwhat the relevancy of this question is. Surely, these are not life insurance officers of the life insurance companies.

Mr. ETHERINGTON: I am quite prepared to answer.

Hon. Mr. THORVALDSON: I think this is wholly irrelevant, and a waste of time.

The CHAIRMAN (*Mr. Cameron*): I do not think it is a waste of time, but it is probably repeating something that has been said before. However, Mr. Etherington has indicated his willingness to answer the question, and perhaps it would save time if we allow him to do so.

Mr. LLOYD: Mr. Chairman, despite the senator's observation, this line of questioning is not only relevant to our appraisal of this matter, but we would be derelict in our studies if we did not study this aspect of the matter much more extensively than we have. Attention is being focused on what the Government should do in the flat rate earning field of social welfare, and I think this is extremely important to our intelligent appraisal of what is called well-founded self-interest.

The CHAIRMAN (*Mr. Cameron*): You have justified your asking the question, and Mr. Etherington has indicated his willingness to answer it, so we shall proceed from there.

Mr. ETHERINGTON: Mr. Chairman, first, we would not quarrel with the observations that Mr. Bryce has made. Secondly, let me make it very clear indeed that we consider the life insurance companies in Canada to be quite capable of coping with whatever problems of investment that might arise as a result of any Canada Pension Plan that in its wisdom the Government brings forward and establishes.

With regard to the question which I think is implied here as to the method of funding, we made it quite clear at the outset that we had no comment to make. We are not economists, nor do we pretend to be. We are trying to

represent here today the view of 12,000 people who in their daily work are at the ground level of this thing and who are dealing with Canadians and the possible effects of this type of plan. I think one of the main reasons behind our presentation here is that as life insurance men sitting down with a citizen the present form of old age security represents a floor which he can look forward to when he reaches—

Mr. LLOYD: You are getting away from my line of questioning.

Hon. Mr. THORVALDSON: I would like to hear the answer, Mr. Chairman.

Mr. ETHERINGTON: I think perhaps, with the chairman's permission, I would like to enlarge very briefly on this.

Mr. LLOYD: All right.

Mr. ETHERINGTON: The citizen, looking at the present arrangement and understanding clearly that he has a floor at age 70 of $75 a month is happy to receive counsel with respect to his entire retirement picture. Everything else is superimposed upon this.

The proposal in the Canadian Pension Plan is extremely difficult to interpret. The special committee which we have established for some time, studying methods in which we would instruct our people in explaining this to the public, has had a great deal of difficulty in arriving at a method which would be simple and understandable. Therefore, in their opinion, the proposal would have to be on top rather than otherwise.

Mr. LLOYD: Does part of this difficulty arise from the fact that no final decision has been made yet and that your people are reluctant to deal in final terms with what you might do in adjusting yourselves to living with the Canada Pension Plan, until you see what the final amendments might be.

Mr. ETHERINGTON: We have only been able to base our work thus far on what we have seen in the bill.

Mr. LLOYD: Coming back to my observations with respect to investment, the fact that the Canada Pension Plan diverts a large volume of savings into Governments hands causes you no concern whatsoever?

Mr. ETHERINGTON: As an association, no. We do not take any stand on the question of whether the funding of the Canada Pension Plan should be in the public or the private sector.

Mr. LLOYD: So you think that, if this volume of savings is extracted, as you pursue the private pension plan as underwriters as distinct from trustees, you can still pursue that type of pension offering for the public and be assured that you can find the appropriate yield of investments in other sectors of the economy?

Mr. ETHERINGTON: As underwriters we can still pursue successfully the marketing of pension and other insurance plans, and the question of investment is the problem of the companies we represent.

Mr. LLOYD: The reason I make this observation, Mr. Etherington, is that I notice we seem to be getting a continued focusing of our attention on the need for old age security improvement in flat rate benefits, substantially from the people who are engaged in the underwriting of plans, as distinct from those who merely act as the administrators of funds in the trustee field. For, instance, the trustee plans operate on the basis of a fee for the work they perform. They take no responsibility for the investment. On the other hand, those who underwrite plans undertake to provide certain benefits at a certain rate of contribution, and take all the responsibility for the investment of the funds; and their reward, their legitimate reward, is found in the net operations resulting from their judgment of the market place for investment. It seems to me that the persons who are involved in the investment of funds

have a much greater interest in this Canada Pension Plan than do those who are handling pension plans on a trustee basis. This is why I ask you, what is there about this type of pension plan that eliminates funding, that concerns you? Could you be more particular about it? How would it affect your industry?

Mr. KAYLER: Speaking on behalf of my associates here, I think quite frankly we are confused by what Mr. Lloyd is saying. I am sure it is our fault, not his. Frankly, I do not think we appreciate the point or know what the significance is of the point he is raising, and I do not think we have anything to contribute unless we can understand it better than we have.

Mr. LLOYD: I think the record is quite clear as to what was said, and I thank you.

Mr. CÔTÉ: I am very glad to see that in your conclusions your association supports broadly the stated objective of the Canada Pension Plan. I think it is commendable that you have come to contribute your help to this committee. You also say that in its present form the Canada Pension Plan cannot achieve this object. That is the reason why you recommend that subsidies or the flat rate increases should be given to fill what you call the gaps of the plan. Would you say that these subsidies or increases of flat rate should be taken out of the fund of the Canada Pension Plan?

Mr. KAYLER: Our feeling would be that the basic formula of taxation that has been established to support old age security should continue to be a basic system of taxation. I think it is pretty obvious that the level of taxation would have to be increased if these extended benefits are to be paid. One obvious advantage of this is that it is a fully mature plan from the outset, so that it can be operated on a pay-as-you-go basis, with current taxes in fact paying for current benefits, as is the present case under the flat benefit system.

Mr. CÔTÉ: You would not think it would not be fair, being a contributory plan, to use the fund contributed for these benefits, to pay these extended benefits or increases in the flat rate?

Mr. KAYLER: We feel that as this provides benefits for all, that the tax base for this should be as widely distributed as possible, rather than being narrowed down to people who qualify as contributors under the Canada Pension Plan.

Mr. CÔTÉ: Are you aware that many of these gaps that you are referring to are being filled by provincial laws or assistance and that we have to keep in mind that the matter of welfare is under both jurisdictions, provincial and federal? For example, the female bachelor over 60 in the Province of Quebec gets a pension. Do you think this should be amended so that we can subsidize the orphans and widows under this plan?

Mr. KAYLER: We certainly are aware that there are co-operative schemes between the provinces and the federal Government in these areas. In some cases I think a means test is involved. We as an association do not particularly favour a means test. We think that the flat benefit coverage for all is far simpler to administer and that equity results because in the tax process, people of greater means of course return some of those benefits in taxation, while those who are below taxable levels are getting the full benefit of it; and in the final analysis this is probably a more practical and efficient system than one which involves a means test. If there are constitutional problems involved in working this out with the provinces, we are ready to recognize that those constitutional problems will have to be dealt with. Again, this is an area of expertise and we would not presume to say how it should be done in terms of specifics.

Mr. CÔTÉ: Do you think that what you call gaps in the plan should prevent us from adopting the Canada Pension Plan now until those gaps are filled;

or that we should pass this legislation as soon as possible and have it clarified and after that we could deal with other cases by the O.S.A. and family allowances or some other method of intervention?

Mr. KAYLER: Our feeling is that the order should be reversed, that the areas of need should be fully covered by the minimum flat benefit basis. From some of the preliminary figures we heard from Mr. Osborne, it appears that this will cost quite a lot of money. Our feeling is that this would have to be evaluated before this committee or any other committee would be in a position to decide whether a superimposed wage related plan should go on top of this.

Mr. CÔTÉ: Even if these gaps are filled already by the provincial laws?

Mr. KAYLER: Our feeling is that they are not filled. They are filled in part, but not completely. Again, this is another area in which we have suggested that a very full study of welfare needs, and the extent to which they are being filled or not being filled at the present time, should be number one on the list of priorities, to make sure that they are being filled, and what it is going to cost us to fill them. Then and only then are we in a logical position to consider the second step.

Mr. CÔTÉ: Do you not think we have already looked after many of these problems by different laws? And is it not about time now to try to get as many working Canadians in a pension plan on a contributory basis? Do you not think it is a different problem altogether?

Mr. KAYLER: We can recognize that there are the two areas, but our feeling is that the flat benefit system, universal coverage, getting away from the provision of a means test and possible gaps in coverage, is the area that should be filled first? I do not think that at the moment there is a clear picture as to just how big and how costly this particular phase of the job really is. Until we know, we cannot speculate, I think, what the next steps could be, because they may be entirely impractical.

Mr. CÔTÉ: Have you any idea how long it would take to install those flat benefits?

Mr. KAYLER: Our feeling is that once this committee has the data and statistics on which to make a recommendation in this area—I do not know whether this is a matter of days or weeks or months, but I would hope it is something which would not take an undue length of time.

Mr. CÔTÉ: And then when all these gaps are filled we could come back with this bill and you would be prepared to say whether you are for or against it.

Mr. DEACON: Mr. Côté, we are not against the general stated objectives of the Canada Pension Plan, but we feel it should be amended to embrace a much broader field than it does at present, including these amendments in the old age security; but the recommendations we are making obviously would cost a good deal of money, and therefore we feel that the whole picture needs to be looked at carefully to see whether the gaps which are so large right now do not need to be filled, and must be filled, before you think in terms of the other. The flat rate benefit method is less discriminating than earnings related pensions. So we are not attempting to tear down the Canada Pension Plan. In fact, in a certain sense, it should be broadened in its sphere, but there is one very basic part we feel ought to be amended, and that is the earnings related scheme should be changed to a flat benefit.

Mr. CÔTÉ: But what discrimination do you see in this plan which is to help people who contribute a certain amount so that in their old age they get a benefit?

Mr. DEACON: In has been demonstrated not only in our brief, but in other briefs presented before this committee, that there is great discrimination of certain individuals as opposed to other individuals.

Mr. CÔTÉ: As opposed to others who have not contributed?

Mr. ETHERINGTON: The man starting out now at age 55 is benefited far more than the young man who is starting out at say 25 or 30.

Mr. CÔTÉ: But it is only for the first years. I think it is like that in any plan, and it does not cost anybody else any money.

Mr. ETHERINGTON: The second point is that the man in the most need with the smallest income or no income is benefitted least.

Mr. CÔTÉ: Not if you look at it in relation to the O.A.S. He is getting more than the other person.

Mr. ETHERINGTON: The person who is not in a position to be a contributor, who is not employed—

Mr. CÔTÉ: Well, he has not contributed. There is no discrimination to him.

Mr. ETHERINGTON: If he is in an area of need we submit his need should be looked at first.

Mr. CÔTÉ: But there is no discrimination against people who are not contributors because they did not contribute; but you object because there might be more gaps, because some people won't be able to contribute or get any benefits, and you would amend the O.A.S. However, you do not give anything that would amend this plan so that we are able to pay benefits to these people who do not contribute.

Mr. DEACON: There is discrimination, Mr. Côté, in the old age security plan. There is bound to be, just as there is in the Canada Pension Plan, but we feel that the type of discrimination in the Canada Pension Plan under the present legislation on the earnings related basis is greater and more inequitable than you find in the old age security flat benefit type. We cannot be fair to everybody, and we realize that.

The CHAIRMAN (*Mr. Cameron*): Are we not debating the various ideas of these plans? We are here to find out what the views are of these representatives.

Mr. CÔTÉ: That is what I am trying to get.

The CHAIRMAN (*Mr. Cameron*): I think these gentlemen have explained their views clearly, and abundantly clearly, as between people who are not getting benefits under the act and those who will do so. I think it is for the committee, when they sit down to study the evidence and come to a conclusion, and then we can go into the argument pro and con as to which is or not the proper method to be followed. I do not think we are here to try and convince these gentlemen that if there is a contrary view they should accept it. They have expressed their views, and that is what we started to find out from them.

Hon. Mr. THORVALDSON: Mr. Chairman, may I make the observation that we covered this very point for a period of two hours with Mr. Woods last night, and probably Mr. Côté was not here, I do not know.

Mr. CÔTÉ: I was here.

Hon. Mr. THORVALDSON: We covered that point completely.

Mr. CÔTÉ: Do you think that just because we had witnesses before us, Mr. Chairman, at another session we cannot ask questions now?

The CHAIRMAN (*Mr. Cameron*): No, I am not suggesting that, but I suggest that you direct your questions more to the content of the brief, rather than

to arguing the respective points of view as to the impact or advisability of a Canada Pension Plan versus the O.A.S.

Mr. CÔTÉ: I think all the recommendations of the brief are to amend these acts instead of trying to get something out of the Canada Pension Plan.

The CHAIRMAN (*Mr. Cameron*): I have no objection to the recommendations but I am not debating whether one is better than the other.

Mr. LLOYD: There is no question of conflict of interest here, is there, Mr. Chairman?

The CHAIRMAN (*Mr. Cameron*): No.

Mr. CÔTÉ: I have finished.

The CHAIRMAN (*Mr. Cameron*): Mr. Knowles?

Mr. KNOWLES: Mr. Chairman, even though, as might be expected, I disagree with some of the points made by the delegation now before us, I should like, in a word, to express my appreciation of the thought that has been put into this brief, and also my appreciation of the manner in which the members of the delegation have presented it in answering our request.

I shall try not to be repetitive; in fact I have made some notes to try to get along as quickly as I can.

First of all, despite what I have said, it is clear that your association believes that the flat rate old age security benefit should be increased to a higher figure than the present $75, and that the age at which it is paid, at least, in some circumstances, should be lower?

Mr. KAYLER: Yes.

Mr. ETHERINGTON: With this qualification, that on the question of increasing it, the increase should be in the light of economic facts as established, and we are not capable at this point of determining the amount of increase.

Mr. KNOWLES: You do not feel qualified or in a position to give a figure?

Mr. ETHERINGTON: No, that is correct.

Mr. KNOWLES: But you do stand four square for an increase and for a lowering of the age?

Mr. ETHERINGTON: We are not against an increase if the economy can stand it.

Mr. KNOWLES: I appreciate that position; but I do wish, in view of your concern that the Canada Pension Plan does not provide an increase for people now 70 and over, you would be a little more outspoken on this, and instead of saying you are not against an increase, you should be in a position to say you are for it.

Mr. ETHERINGTON: We would say that if the studies, and the information produced by these studies indicate we were capable of increasing the amount, yes, we would be in favour.

Mr. KNOWLES: With respect to possible increases in old age security, your brief makes it clear that you are opposed to indexing, certainly to any indexing based on the consumer price index, because you stated in your brief you think this has an inflationary effect. I merely state something which is in your brief, without arguing about it. On the other hand, it is correct, is it not, that you think that the benefits under old age security should be kept in a proper relationship to the standard of living for the population as a whole? I am looking at page 8 of your brief. In other words, you feel that any increases in old age security should be related to the community's standard of living, to our productivity rather than to just a consumer price index?

Mr. KAYLER: Yes. I think, Mr. Knowles, it might at first blush seem that the two comments were partly in conflict.

Mr. KNOWLES: I am glad you said that.

Mr. KAYLER: We are rather concerned about this somewhat formalized automatic hitching on, if you like, to this consumer price index, as having a certain perhaps psychological effect, apart from the economic implication, as being a sort of endorsement that we are in a period of constantly rising costs of living, and the inference may be that we are having a depreciation of the value of the dollar.

We are rather concerned about the general climate or attitude that this specific index might create, that while everything is pretty well taken care of now we don't need to bother about planning the budget or living within our means. We would rather see the same kind of thing, in effect, accomplished through a periodic review that is not tied to any specific straitjacket as such. We suspect there might be a lot of other factors beside the specific consumer cost price index that have to be taken into consideration periodically to determine what is the right level of benefits. We think the system of review should be periodic—whether it should be every three or five years, I do not know, that is a matter of opinion—and that whatever Government authority or body would be established to do this would not necessarily be bound or limited in its findings, but should deal with what is relevant.

Mr. KNOWLES: I appreciate your position with respect to the consumer price index. As everyone knows, I happen to feel there are other factors more important—wage increases, productivity levels, standard of living, and so on. I just hope the conflict you have already drawn attention to is not going to be resolved the wrong way. You are against indexing on the basis of consumer price index, but you are for adjustments to keep benefits in proper relationship to the standard of living?

Mr. KAYLER: Yes.

Mr. KNOWLES: You stand by that?

Mr. KAYLER: Yes.

Mr. KNOWLES: You have talked a good deal today about the virtues of the flat rate benefit, but you have also talked about areas of need and meeting the needs of our people, and so on. I am not trying to set a trap of any kind, but I would just like to know whether this frequent reference to need signifies you would qualify any increases in flat rate benefits by any kind of means test or, when you advocate flat rate benefits in the field of old age security, for orphans, widows and so on, do you mean a flat rate benefit without means test?

Mr. KAYLER: Yes, we do.

Mr. KNOWLES: Earlier this morning, Mr. Kayler, you expressed your approval of the flat rate benefit, not only on the benefit side but because you liked a tax base that is as widely distributed as possible. I took the words down when you were speaking. I hope I have not distorted what you said. You said this in the context of not liking the Canada Pension Plan because these contributions were, in effect, a form of tax and all benefits were not related to those contributions. You said you liked the other system better—and you used those words—because it provided a tax base as widely distributed as possible. In view of your concern for the wide distribution of the tax base, in view of your concern for a flat rate benefit, so the people get this general floor, would you make any modification in the formula we now have? I am referring to the 4-3-3 formula, but I am referring more specifically to the ceiling of $120 on personal income tax? Would you, in order to pay these extra benefits and achieve your interest in the whole community providing for the needs of the people, like to see that ceiling raised?

Mr. KAYLER: This is an excellent question, Mr. Knowles. Our group did discuss this matter at quite some length. There was quite a strong feeling that the limitation of the 4 per cent as it now stands, only to taxable income up to $3,000, is perhaps too restrictive. We did not come up with any firm thinking as to whether the ceiling should be raised or the floor lowered—which, I suppose, is another possibility. Obviously, the sales tax part of the formula and the tax on corporate profits is all-inclusive in those particular areas, whereas one on personal income tax is not. Again, this is only a layman's opinion as a result of discussion. We think this would be an area for exploration, and perhaps this area should be expanded, but I have not taken a specific position yet.

Mr. KNOWLES: You recognize the position, that happens to be mine, if we are going to have flat rate benefits, that it is better to have everybody in, no matter what amount of income they might have, that it should be paid on the whole income?

Mr. MITCHELL: With respect to the Canada Pension Plan there is a significant difference in the contributions, in that you are contributing on any pay in excess of $600 and up to $5,000. But significantly there is no personal exemption. In other words, under your old age security you do not start to tax until you have knocked off the $1,000 for a man, $1,000 for his wife and $100 optional standard deduction, or whatever his personal exemptions happen to be. We think this is an area in which we are perhaps incorrect, where under the Canada Pension Plan, as proposed, we are not even allowed the normal personal exemptions which have always been set in any taxing statute we have had in Canada heretofore.

Mr. KNOWLES: Obviously, both schemes, the tax scheme and the other, the contributions scheme, have their starting points and ending points. I appreciate what you said about the starting point. I would be more interested in what you, Mr. Kayler, and others have said about the upper limit. As a matter of fact, I think it is a matter that should be looked at in both the taxation on personal incomes for old age security and the contributions to the Canada Pension Plan. I think there is a case for people above $5,000 making contributions—

Mr. KAYLER: Yes.

Mr. KNOWLES: —but not getting the benefit above the $5,000. You said "yes" before I finished. Does that apply to the whole question?

Mr. MITCHELL: I think it is a question of where you get the dollars. I think we are only talking words now. We know the benefits provided for these people are going to be subsidized. How it is subsidized I think is something that should be discussed.

Mr. KNOWLES: I think it has been useful to have the views, even though they are the unformalized views, of the representatives of this body.

Mr. DEACON: Mr. Knowles did suggest four, no matter how high the income. I do not think it is fair to say we go along with you all the way.

Mr. KNOWLES: But you would go higher than the present $3,000 level?

Mr. DEACON: Yes.

Mr. KNOWLES: Well, that is progress.

Mr. DEACON: $3,001, perhaps!

Mr. KNOWLES: Let us go at least up to $18,000.

Mr. LLOYD: If you don't he will nationalize you!

Mr. KNOWLES: A couple of times one or more of the delegates, and Mr. Mitchell in particular, have used the phrase that there is no relationship what-

ever between the Canada Pension Plan contributions and the benefits received. Now, I wonder if you would not like to modify that a bit. I can understand your saying—and I would say it myself—that the relationship is a subsidized one, or it is an adjusted relationship, but surely it is not a well-thought-out position to say there is no relationship between the contributions made by contributors and the benefits to which they are entitled?

Mr. MITCHELL: I think perhaps my words have been twisted—I do not say intentionally, Mr. Knowles. I think we should clarify the point I was trying to make. I was saying there was no relationship between the contributions by the individual, made by him and on his behalf—I am thinking now of the employer, for instance, the general charge against taxation—and his own benefit. I am not saying there is not any relationship between the total contributions and the total benefit, the total contribution made up 1.8 per cent by the employer and employee, and the rest is just charged on taxation.

Mr. KNOWLES: I am thinking in the same area as you are. Isn't it a fact that the individual gets a benefit—whether it is a pension benefit or a death benefit or orphan's benefit, or what have you—that is determined under a formula by his relationship to the plan, by the amount that he has contributed. I am not thinking of the kind of direct monetary relationship you think of in a private pension plan, but the very fact you talk about the gaps, the people who do not contribute and therefore do not get any benefit, indicates that for every individual there is some kind of relationship—it may be a subsidized relationship or an adjusted one, but, surely, there is a relationship?

Mr. MITCHELL: As a matter of fact, the figures I gave a little earlier contemplated a man aged 55 contributing or getting benefit—and just talking now about pension and ignoring death benefit, survivors' benefit, and so forth — worth $943-odd a year against a contribution made by him or his company of just under $160. You cannot tell me there is much relationship between the benefits that he gets and that he contributes. I was contrasting that with a young fellow aged 20 who puts his $80 and his company's rough $80 into the plan and gets much less than he could buy if he went out and bought a great deal in the way of pension benefits. I am suggesting that perhaps there is not much relationship between the benefits collected by the individual and what is paid. I am suggesting that perhaps there is not much relationship, Mr. Knowles, between the benefits collected by the individual and the contributions made.

Mr. KNOWLES: Yes, the question of relationship is one of definition, I suppose, but as a matter of fact you have now recited the two examples you used before, and I took them down because I wanted to ask you a question about the young chap who was 18 years old.

Mr. MITCHELL: Yes, he was 18.

Mr. KNOWLES: You indicated how much this 18-year old would pay over the 45 or 47 years of his career as a worker and then you said that his pension as a result would be worth only so much, and you had him suffering a loss compared to the 55-year old man who gets a so-called windfall.

What is involved in this is the whole principle of social insurance, which I think is an area we have to appreciate. However, I would not get into that at the present time. But the point I wanted to make with respect to the 18 or 20-year old is that he is buying, if you may put it in insurance terms, not only a pension that he may get at 65, which, incidentally, in the 47 years years will be escalated, but he will be getting the benefit later of contributions higher than he actually made. In addition to that he gets along the way, a disability benefit, a death benefit, a widow's benefit, and an orphan's benefit.

Now, you gentlemen are all in the field and you know that these things would be worth a great deal. Therefore, would you not admit that you should amend that example by saying that this 18 or 20-year old, though he gets less of a windfall in terms of his eventual pension, has these other benefits that are worth a good many hundreds or thousands of dollars to him?

Mr. MITCHELL: I think this is perhaps a very valid comment, Mr. Knowles, and I think we would be very interested in having this costed to determine what these things are worth and what has been asked for.

We are trying to demonstrate very strongly that we are not doing as the accountant would do, as Mr. Lloyd would understand. We are not funding as we go along but we are passing to the next generation a liability which exists today, and we are strongly in favour of flat benefits now, paid for now through taxes now, rather than passing this to future generations which will have only the result of creating inflationary trends which will have to be inherent in such an action.

Mr. KNOWLES: There are interesting comments in last night's record on this so I will not take up time by repeating them, but a few weeks ago I asked Mr. Osborne or Dr. Willard for the kind of information that I mentioned, and the department have promised it but they say that it will take months to produce the actuarial value of these benefits.

Mr. Chairman, I have just one other question. The danger of just one other question, of course, is that it might be a difficult one. You have had questions from Mr. Munro and others about the level to which you would like to see old age security raised, and you have told him as you told me that you don't feel you should set a figure. I wonder if you realize that the reason we ask questions such as this is that under the Canada Pension Plan we do see the possibility in a matter of five or 10 years of quite a few Canadians having pensions of $80, $90 or $100 a month. In 10 years some will be at a pension of $179 and some cents a month; in fact, those pensions could be $75 more than that in the case of a man and wife.

In other words, what we are envisaging here is a time not too far off when instead of flat pensions of only $75 a month, ordinary Canadians will have pensions of $175 or $200 a month.

Now, you have urged the virtues of the flat rate system. This is music in the ears of a few of us who were on the committee of 1950, but the question I would like to put to you is this: by which method do you think we will get sooner to the pensions of that category, $150 to $200 a month? And I ask that question as between two courses: one would be staying with the flat rate benefit only, and the other would be the combination of the flat rate and the earnings-related plan.

Mr. MITCHELL: Mr. Chairman, I do not wish to presume to try to answer this on behalf of all four people, but I would like to comment on one point, if I may. I think we are not competent to say just how this would be accomplished, Mr. Knowles, but there is something I would point out. The $75 a month for people aged 70, the old age security, now has an actuarial equivalent of $43 for those aged 65. That is for the male life. Yet, under this integration it is going to be allowed to be part of the Canada Pension Plan and we are bumping $43 up to $51, which is quite a substantial hike there. If you are talking about a female life it is even a greater subsidy.

I think it would be very dangerous for us indeed to try to answer your question as to how to get to this in the best manner possible, because we have already built in the actuarial cost of quite a substantial amount in the old age security benefit by just this very simple and quick change. I think the significance of all these things has to be examined, as Mr. Kayler mentioned earlier.

Certainly it requires a very sophisticated study of the economic cost of this thing. The ability of the public or the taxed to support certain levels now, whether the level should be $200 or $179, or $154, which it would be at 65 with the integration, or $155 or around there, is something we could not just answer off the cuff.

Mr. KNOWLES: I appreciate that, but you do see what is in the minds of some of us, that we are not at all happy with schemes which merely talk of an $80 or $90 pension. We are concerned about finding a plan that really gets pensions up, and while I am personally grateful for the help you have been in pointing out the gaps we do not fill—well, I was going to say that I wish you had been of more help to us in the other area, but I can't say that because I would be quoting you as having helped us. However, you do want people in a better area and you do want pensions adjusted according to the standard of living as a whole.

Mr. DEACON: I think, Mr. Knowles, as I have said to a lot of people, we can be excited at having another $100 added on. This is exciting in terms of the people who might be getting it, but we are missing the people with needs. Therefore, it is much more important to direct dollars available to getting at the areas of need, because you are going to get complaints from people reaching 70 ten years from now but who did not get benefits from this $100. It will not be the people who do but who don't. We should be attacking it on a universal basis.

Mr. KNOWLES: Mr. Chairman, I welcome very strongly this insistence upon doing something for the people who are not getting it, but I am also glad to see in the plan that 25 years from now the Canada Pension Plan will provide retirement benefits for a maximum potential of 85 to 90 per cent of those in retirement.

The CHAIRMAN (*Mr. Cameron*): It is now a quarter to one, gentlemen, and I have actually four others who want to ask questions. Mr. Leboe is not here, but there are Mr. Francis, Mr. Macaluso and Mr. Morison. I trust that they will make their questions pointed in order to get pointed answers.

Mr. MUNRO: Mr. Chairman, I might indicate to Senator Thorvaldson the reason why the Liberal members are so well behaved. It is that the minister is in the audience.

Mr. KNOWLES: We had not noticed.

The CHAIRMAN (*Mr. Cameron*): Mr. Francis.

Mr. FRANCIS: I have just one very brief question. On page 17 there is a statement made that "In five European countries that have indexed initial pension benefits, the government has completely taken over the pensionable earnings area." Could we have an indication of which countries are in mind at the present time? Could the delegation explain to us which countries are meant?

Mr. KAYLER: This was a statement made by Mr. Bryden, President of the North American Life. It was a statement in the press. He is a recognized economist and we accepted his statement at face value, but we do not know which five countries he is referring to.

Mr. FRANCIS: My concern is this, that if there was no substantial insurance industry in the first place then the inference is perhaps stronger than called for. My understanding is that when a country goes through inflation and has to adopt another country's currency, this has drastic results. Is this not so? It almost wipes them out.

Mr. KAYLER: I believe these are countries of western Europe.

Mr. FRANCIS: But how many of these were countries which adopted a new currency?

Mr. KAYLER: I am sorry, but we cannot give you that specific information.

The CHAIRMAN (*Mr. Cameron*): Mr. Macaluso?

Mr. MACALUSO: Most of my questions have been answered, but I must say that I am happy to see Mr. Mitchell here. He and I had some fun on a panel when the first bill came out. I think that earlier there was a question as to whether the gentlemen had studied the social security pension schemes in Western Europe. I understand that this has not been done. One of the reasons I raised this is because there is a booklet published by the Noble Lowndes Group entitled "Social Security and Pension Practice in Western Europe," and it lists 13 countries in Western Europe that have pension schemes, and in each of them there are contributions on a wage related plan. You, in your brief, are opposed to contributions based on an earnings related plan. Of course, you cannot answer why these 13 countries have it and why we should not have it.

There was another matter that came up dealing with discrimination. The charge of discrimination can be levelled against the present old age security system, whereby young married people are paying for the citizens who do not pay income tax and for those who can well afford not to receive the Old Age Pension. Surely, the principle of discrimination applies to the old age security system so far as some old people are concerned.

Mr. KAYLER: We realize that the old age security system is not foolproof, and probably no system is.

Mr. MACALUSO: That is exactly my point—no system is.

Mr. KAYLER: But, consider the fact that old age security does provide universal benefits for everyone in whatever category of hardship they are in. You may have philosophical arguments as to whether the flat amount is completely fair in every case, but you cannot argue against the fact that the universal flat benefit system does provide benefits for everybody, and a wage related plan cannot do that.

Mr. MACALUSO: What I am saying, Mr. Kayler, is that although the old age security system is universal one of the greatest criticisms of it is that there are people receiving the old age pension of $75 per month who do not need it. In many of these briefs we hear of the equity aspect of it; that those most in need should receive, but under the old age security system there are people who are 70 years of age and over who do not require the old age pension of $75 a month, and there are others who receive only the $75 a month and who still require more.

As you say, no system is perfect, and that is what I am saying. I do not claim that the Canada Pension Plan is perfect. It is going to require many changes. We have had evidence before this committee from Mr. Meyers of the United States Plan to the effect that it has undergone continual change for 30 years. I cannot envisage any social insurance legislation not undergoing change, perhaps every two years.

However, there is another principle of life insurance that comes up here, and I am referring to the criticisms with respect to this so-called windfall. You could have a man paying premiums for 40 years still living, and yet I could pay the premium for only six months or one year, and if I pass away at the end of that time my family will get a complete payment out of that plan. My family will receive the benefits of the policy, but the person paying for 40 years is going to be paying my family for that windfall they have received. That is where this principle of windfalls and discrimination comes in. There are two sides to it. It does not apply to one and not to the other.

The question I am concerned about here—and it will be my last one because most of the questions I would have asked have been answered—is that there has been a criticism in many briefs that we have received that the consequences of developing a large pension fund which will be provided by

the Canada Pension Plan will take away from the availability of capital to the producing sector of our economy.

The Economic Report, in paragraph 5 on page 412, under the section entitled "Personal Income, Spending and Saving" states that the historical record in Canada and other countries suggests that increased public provision for retired people is not accompanied statistically by a reduction in the personal savings ratio. I am just wondering if you would care to comment on that. I would like your views on the statement that the personal savings ratio will not be reduced.

Mr. MITCHELL: May I comment on two things, Mr. Chairman? Mr. Macaluso has been going ahead there with a full head of steam. There are a couple of comments I should like to make.

First of all, Mr. Macaluso, I am happy to see the changes that have been made since our little battle a couple of years ago. I think the Canada Pension Plan is more palatable now than it was then, although it still needs a few changes in the best interests of the public. You mentioned the fact that some people are receiving old age security and who do not need it, but I would point out that you still have a certain amount of recovering through the income tax arrangements. These people who do not need it are certainly paying it back in taxes to a certain extent, and this is right and proper.

With respect to the economic sector that you have just brought up I would say that this is not an area in which we presume to be expert. The only thing we can say is that when social security was introduced in the United States, and similarly when old age security was introduced in Canada, there was certainly no drop-off in the sale of life insurance. We see no reason to expect that it is going to hurt the people who are actively selling life insurance in Canada today, even if the Canada Pension Plan as it is now is adopted.

Mr. MACALUSO: That was my statement to you two years ago.

Mr. MITCHELL: Yes. I think this to be true, but this still does not mean that this plan is doing the job it should be doing in the areas that, in our judgment, are the priority areas. In other words, if you want to give out windfalls and you want subsidies, then your area should be examined first to see where the greatest need happens to be. Of course, our alarm, as has been already stated many times, is that we are not getting at so many people. The flat rate benefits, even though it is far from perfect, at least gets everybody, and you do obtain a certain recovery through the medium of income tax.

Mr. MACALUSO: At the commencement of old age security it did not do the same thing. When it first came into being it discriminated against a large number of people.

Mr. MITCHELL: No, everybody who was of a certain age received the benefit.

Mr. MACALUSO: What about the person who was 70 less a day?

Mr. MITCHELL: But he got it when he was 70.

Mr. MACALUSO: There was an example that was mentioned to this committee. I think it concerned those who were 70 plus a day.

Mr. MITCHELL: They had to wait a month in order to get the payment. I hope you are not justifying this by the mistakes of the past?

Mr. MACALUSO: Of course not.

Mr. LLOYD: I have a short supplementary question, Mr. Chairman. It is also a fact, Mr. Mitchell, that very substantial tax reductions are allowed on the contributions side of pension funds. They are very substantial, according to Mr. Latimer writing in the *Financial Post* on January 9. Do you agree with that?

Mr. MITCHELL: Not substantial.

Mr. LLOYD: Enough to wipe out the profits of a company in one year—or, at least, so said Mr. Latimer.

Mr. MITCHELL: That is an abuse.

Mr. LLOYD: But those abuses exist.

Mr. MACALUSO: I have just one last question with respect to income tax deductions and old age security. On page 6, in paragraph 11(c), of your brief you state:

> The system of flat benefits automatically provides the largest relative amount of assistance to those in greatest need and avoids the proposed inequity of providing the largest tax subsidies to the fortunate people in our society that have above average earnings.

Do you not think also that the income tax provisions will take care of that?

Mr. MITCHELL: I think not. I think Mr. Kayler will want to comment on this.

Mr. KAYLER: I think the main point we see here is that you will be paying a flat benefit—the same dollar amount to every individual in the category—and this has inherent within it the characteristic that $75, or whatever the figure is going to be, will mean a lot more to the individual who has nothing than it will to the individual who has something, and still less to the individual who has a great deal. All the economic theories about the provision of money go out the window when you do not have any. To a person who has no money $100 is a fortune. The point is that the flat benefit system automatically has the inherent characteristic that the people who are at the greatest level of need are those who are going to be helped relatively the most by that flat amount, but to a person who has an income of $50,000 a year it is completely meaningless. He will pay back most of it in income tax, anyway.

Mr. MACALUSO: Yes, but I think the point that concerns us is that if we have a contributory plan that comes out on a wage related basis how, at the commencement of it, you can possibly take care of that group that we all recognize. Of course, your submission is: Let us not have a wage related plan, but let us have a flat benefit.

Mr. DEACON: First.

Mr. KNOWLES: Both.

The CHAIRMAN (*Mr. Cameron*): Mr. Morison, you now have your opportunity. Patience is its own reward.

Mr. MORISON: Thank you, Mr. Chairman. I am very pleased to see the life underwriters here. As they point out, they are not actuaries nor economists, but they are a group of people who have their fingers on the pulse of the Canadian public—perhaps more so than Mr. Davey.

I notice that in the brief you state you have 10,000 policy holders in Canada. This is very commendable.

Mr. ETHERINGTON: We have 10 million policyholders.

Mr. MORISON: Pardon me. That is almost twice the working force, so there is a policyholder in almost every household. That brings me down to your statement in the brief, on pages 4 and 5, that within the next 25 years, 85 or 90 per cent of those in retirement will be covered by the plan. You also say that those not included in the plan would include the hard core of those in most severe economic need and that when this fact is fully understood by the Canadian public, serious repercussions are bound to occur. I rather think that, with the excellent career agents we have in Canada, going into almost every household, doing the job that they are well able to do, it will mean they will more or less adapt the plans that we have privately, into the ever increasing public plan that we have today. If this is done, as

they are well able to do it, why should there be "serious repercussions" from the public, or what exactly do you expect us to fear from them?

Mr. ETHERINGTON: Our feeling is that this hard core of people who could never be covered by the wage related scheme will include the people who were never covered for the simple reason that they were never able to earn enough to pay contributions. We have all respect for our salesmen in the life insurance business, but they are not good enough to sell life insurance to people who have not got money, so those people will not be covered by private enterprise or by the plan. The only answer to it is the universal flat benefit system.

Mr. MORISON: You have mentioned that the flat benefit of $75 which they are getting under O.A.S. is more than the benefit they would get in the United Kingdom. To me that is enough to believe that the rewards are given to those who work for them, and that is why I like the Canada Pension Plan. As to the old age security, it may be there should be another plan to cover those who will not work for the reward for which we all struggle.

Mr. KAYLER: Our feeling is that under the Canada Pension Plan many people will be getting windfalls which they have not earned. This is unrelated to contributions.

Mr. MORISON: Mr. Woods discussed that last night in his brief, in which most of us were interested. I want your opinion—this may not be good politically—with your career agents going into every strata of society and, as you all know, having the possibility of planning programs for everybody. There are the poor people or those who cannot earn up to $5,000 a year. They have certain wants and needs which you have filled and which we are trying to fill. There are others of us who have made $5,000 or better. We have needs and wants, we also have expenses. It may be that we have better homes than some, we have automobiles, we have television, we have more things, we even have more debts. We are struggling to live in a sophisticated society. Do you feel that it is a fallacy that I am going to suffer psychologically more by taking a reduced income or less, shall we say, by taking a reduced income after retirement, than perhaps someone who has not had the benefits that some of us have worked for through our lives? In other words, if a person were used to getting along on $2,500 or $3,000 a year and then is retired on half that pension, you compare that with a man who has been making over $5,000 a year. Do you think there will not be more psychological adjustment on the part of the wealthier man? Why is there a fallacy that the retirement need is only half as great on a man making less than $5,000 a year, to work on half the $5,000?

Mr. KAYLER: It is purely a layman's opinion, Mr. Morison, but my feeling is, about the poor individual who is so unfortunate as to have to live on $1,200 a year—I cannot ever conceive of him ever struggling on less than that—I think he should have at least 100 per cent of that level of income.

Mr. MORISON: The increased amount will mean less to him than to a more successful individual?

Mr. KAYLER: No, it would mean much more. The person who is struggling all his life if possible on $100 a month, if he suddenly had $150 a month it seems to me that he would feel like a millionaire, relatively speaking.

Mr. MORISON: Evidently I have not made myself clear, Mr. Kayler. I was thinking of this example. I am going to paragraph (*b*) on page 13, where you use this example:

> The actuarial report shows that a person earning $5,000 could receive an annual pension of $1,356. But if the same person earned only $2,500, then the C.P. would provide him with a pension of $678.

I am thinking of a man with $5,000. He is municipally taxed, he has had mortgages and other expenses. Then take a man with £20,000—if he is not going to suffer a greater physchological impact on retirement than the man making $2,500, he should have a higher pension?

Mr. KAYLER: Our feeling is in this example you have mentioned we should be more concerned about the fellow earning $2,500 having to struggle along on $678. He should be brought up, if possible, as close to the $1,300. That is what we accomplish under the flat benefit system.

Mr. MORISON: This is in addition to what he is getting under O.A.S., which would bring him up to a good percentage of what he has been used to making. That is why I say there is no fallacy.

Mr. MITCHELL: In taking those numbers you are not hitting much of the fallacy. I think there is a certain basic income which everyone must have in order to keep the wolf from the door. I would suggest that everyone above that level has the responsibility as an individual and not under a government plan. If you are talking about the person earning $1,500 or $2,500 who has to get by on half, then there is the person who is earning $20,000 and who has to get by on $10,000 but he is still pretty well off, as opposed to the fellow getting $2,500 who is now going to be cut to $1,500.

Mr. MORISON: A man making $12,000 during his life has needs which will continue into retirement. There is a thought running through my mind—and I have listened to all these briefs—as to just what figures we would have been using, if the Government had not had the foresight to increase the payment to $75 last year.

Some MEMBERS: Foresight?

Mr. KNOWLES: Was it foresight? They were forced.

Mr. MORISON: We had the foresight to put it up to $75 before this plan comes in.

Mr. MUNRO: I think that if you go back to 1963, when the increase was recommended to the minister, it was $65 at that time and there were no recommendations from you for an increase.

Mr. ETHERINGTON: Perhaps you are referring to the Life Insurance Officers Association?

Mr. MUNRO: No. Was not "The Monitor" your bulletin?

Mr. KAYLER: That is an internal bulletin for information.

Mr. MUNRO: May I, on behalf of the members, move a vote of thanks to the Life Underwriters Association of Canada for their well-prepared brief and for their courtesy in submitting themselves to questions from us and for their very helpful answers?

Mr. KNOWLES: I second that motion.

The CHAIRMAN (*Mr. Cameron*): I am pleased to pass that appreciation on to you and the other members of your delegation. We appreciate your co-operation. You have given us a lot of thought. Thank you very much.

Mr. ETHERINGTON: We appreciate the opportunity we have had to be here today.

The CHAIRMAN (*Mr. Cameron*): We can call this long session to a close. We meet again at 2.30 p.m. Some photographers will be here at that time.

AFTERNOON SITTING

TUESDAY, January 19, 1965

The CHAIRMAN (*Mr. Cameron*): Gentlemen, we have a quorum. I have a memorandum about a correction to be made. On page 14 of the brief of the Canadian Chamber of Commerce the first full paragraph reads:

It is the decision of the committee to examine alternatives...

etcetera. It is requested that the word "if" be inserted before "It", so that the paragraph will commence as follows:

If it is the decision of the committee to examine alternatives...

The Clerk has a letter from the Manitoba Chamber of Commerce, which I will ask him to read.

The CLERK OF THE COMMITTEE (*Reading*):

January 15, 1965

The Co-Chairmen and Members,
The Joint Committee of the Senate and
House of Commons appointed to consider
Bill-136, The Canada Pension Plan,
Ottawa, Canada.

Dear Sirs:

As President of the Manitoba Chambers of Commerce and Chairman of the Executive Committee may I respectfully submit the following statement.

"That the Manitoba Chambers of Commerce, without reservation, fully endorse the Submission of the Executive Council of the Canadian Chamber of Commerce to the Joint Committee of the Senate and House of Commons appointed to consider Bill C-136, The Canada Pension Plan."

As there will be no representation from the Manitoba Chambers of Commerce, may this statement be read into the Minutes of the proceedings of the Joint Committee.

Respectfully yours,

H. J. Mather,
President.

The CHAIRMAN (*Mr. Cameron*): Is that agreed?

—Agreed.

The CHAIRMAN (*Mr. Cameron*): You may have noticed a photographer on the perimeter of the seating. I believe he wants to take a photograph of the committee. It will be for the committee to decide if he has that privilege. If you so decide, I suggest that probably he should wait until more of the members arrive. They will be returning here shortly.

We have with us this afternoon Mr. D. L. Morrell, General Manager of the Canadian Chamber of Commerce, who will be presenting the brief on their behalf, and also Mr. G. R. Hunter, on behalf of the Winnipeg Chamber of Commerce. May I tell both gentlemen that their briefs will be printed in the record of today as part of the proceedings, and therefore it is not necessary for them to read them in full. Furthermore, all members have had an opportunity of reading and studying them, and no doubt they will have many questions ready to ask. I do not know how you wish to present these briefs, whether separately, or one following the other.

A. J. LITTLE (*President, Canadian Chamber of Commerce*): Mr. Chairman, I am the President of the Canadian Chamber of Commerce, and it was our decision in Winnipeg that with your indulgence we would like to present the Canadian Chamber of Commerce brief first. We have a number of witnesses available to reply to questions. Following that, Mr. G. R. Hunter, Q.C., of Winnipeg, will speak briefly.

The CHAIRMAN (*Mr. Cameron*): If it is agreeable to the committee and to Mr. Hunter, who is going to come in the second place.

Mr. HUNTER: Precisely.

The CHAIRMAN (*Mr. Cameron*): Mr. Morrell, will you proceed?

Mr. LITTLE: Mr. Chairman, my name is Little. Mr. Morrell is seated behind me. We are grateful to be here, and that goes without saying.

Our brief, as you will have noticed, was prepared by the Executive Committee of the Canadian Chamber of Commerce, which is the day to day working committee which operates the Chamber of Commerce, and it has been assisted in the preparation of the brief by our standing committee on health and welfare.

With me today is Dr. H. F. Hoering, seated at my left. He is Chairman of the Executive Council of the Canadian Chamber of Commerce, and Dr. Harvey Cruickshank, seated to the right of the secretary, who is Chairman of the Health and Welfare Committee. Dr. Harvey Cruickshank as Chairman of that committee would like to make a brief statement on our brief.

In addition to Dr. Harvey Cruickshank, there are a number of members of our Health and Welfare Committee with us, namely, Mr. R. B. McPherson, Mr. R. S. Davies, and Mr. Leon Mondoux.

Naturally, we are very well aware of the importance of this legislation, Mr. Chairman, and we think it is probably one of the more important things that has been taken under discussion for a long time. We expect that it may have a great effect on the economy of the country.

We are not technical pension experts and we think that our function is to bring you the viewpoint of business, and we do that from the experience we have gained in commerce and industry throughout the country. We think we speak for our members as a whole in the views we put forward, and we hope that our views will be of help to you in assessing the feeling of people as to the needs of the people who should come first, and we think this can be accomplished with the least inconvenience.

I will now ask Dr. Harvey Cruickshank to highlight our brief, which, as you say, you have already read. Following that, if you wish our people to answer questions they are ready to do so.

Mr. BASFORD: Before Dr. Cruickshank commences, may I ask if he is a doctor of medecine, or what kind of a doctor he is?

Dr. W. Harvey CRUICKSHANK (*Chairman, Health and Welfare Committee, Canadian Chamber of Commerce*): Mr. Chairman, members of the committee, officers and associates of the Chambers of Commerce: I am a physician. In dealing with the proposed pension plan, our submission recognizes that the plan contains many good features such as provision for portability, the provision of benefits to widows, orphans and disabled citizens, the provision of retirement benefits for those under 70, the proposal of the contributory principles and benefits that will be calculated on a uniform basis regardless of geographic considerations. We do raise in our submission a number of questions on the current pension proposals which cause concern, and they are under the following headings.

First, the Canadian Pension Plan should be considered in the light of Canada's total needs, and its effect on other priorities, I think, should be recognized.

Second, the Canada Pension Plan does not provide for those Canadians who are now aged, orphans, widows and disabled, and never will be covered.

The Canada Pension Plan directs the greatest benefits to those who need them the least, and lacks universality.

The indexing of pensions can have farreaching inflationary consequences, in our view. The consequences of the development of a large pension fund on the availability of Canadian capital for the producing sector of the economy, we think should be recognized.

Features incorporated in the proposed plan complicate integration of existing pilot plans with the Canadian Pension Plan. Each of these questions is elaborated in the submission that we have presented to you.

Our recommendations are rather short, but perhaps I might take a moment to read them. They are set out at page 13 of our submission, and are as follows:

We believe that within your terms of reference your committee must decide whether the further development of our country's social security system should conform to the principles contained in Bill C-136 or whether further developments should follow the principles of universal coverage through suitable modification and reformation of the Old Age Security Act in the light of present day needs and resources. With either course, we urge that the Committee give thorough consideration to the examination of the priorities of needs in this country.

If it is the decision of the Committee to accept the principles of Bill C-136 departing from the concept of universal coverage we make the following recommendations:

(1) That the maturity period be lengthened to facilitate the problems of integration with private pension plans;

(2) That the principle of indexing of pensions be not adopted;

(3) That the contributions to be funded in the hands of state agencies should be kept separate, that they be annually reported on and that the monies collected from employees and employers be considered as being held in trust in the same manner as monies held under private pension plans;

(4) That the Canada Pension Plan Advisory Committee include economists, actuaries and personnel drawn from the financial community.

If it is the decision of the Committee to examine alternatives to meet the social objectives of Bill C-136 and to include those groups which are not covered in Bill C-136 and to which we have referred in our brief, we suggest that these objectives could be achieved through suitable modification and reform of the Old Age Security Act. This approach to achieve current social security needs of our country which cannot be met through private initiative was adopted by The Canadian Chamber of Commerce at its Annual Meeting in September of 1964. It was recommended that the Federal Government should adjust the present Old Age Security Plan considering particularly the following groups: persons who retire before age 70; widows of pensioners; persons of very advanced age; couples with a large age spread between man and wife; and other survivors and disabled persons.

That all Canadians should be able to retire with adequate provision for their post-working years is an objective on which all will agree. We hope the questions we have raised concerning the present provisions in Bill C-136 will assist your Committee in achieving changes to effect this objective.

Mr. Chairman, as a point of clarification, at page 21 of the Minutes and Proceedings, No. 1 of this committee, the Minister of National Health and Welfare stated that the Chamber in its annual presentation on policy to the Prime Minister and Cabinet had suggested that the Old Age Pension payments of

$100 a month be made payable at age 65. The Chamber, I might say, made no such proposal, and we are rather at a loss to understand the minister's statement in this regard. I expect the reason was that she was not at this particular session.

Finally, we feel Canada is moving forward very nicely toward a higher standard of living. It seems rather astonishing the Government should attempt to replace private plans and at the same time neglect gaps in the present scheme which affect a fair number of people who cannot help themselves. There is some indication that the proposed plan is moving in the wrong direction.

Mr. Chairman, I think that is all I would like to state in summary of our brief at this time.

The CHAIRMAN (*Mr. Cameron*): Thank you very much, Dr. Cruickshank. We are now open for questions.

Mr. PRITTIE: Mr. Chairman, my questions will not be too specific, but I think the delegation will understand the general intent of them. I would like to refer to the table on page 5 which shows the Government expenditures on health and social welfare as a percentage of national income. They show here various countries, advanced western industrial countries—the United States, Australia, Canada, the United Kingdom and New Zealand. I have a feeling these percentages are presented in a vacuum. They do not mean too much to me. For example, does it mean there is some danger point a country will reach in percentage of national income which they spend for items under the heading of health and social welfare? Take New Zealand, it is the highest on the list with 14 per cent. This does not mean very much to me. Does this mean that if New Zealand increased it by 2 or 3 per cent they would be reaching a danger point which might affect future economic growth in the country? I do not quite see the meaning of these percentages. That is the first point.

Secondly, there is the suggestion in this brief, which I have heard from a great many other sources, that there should be a list of priorities established in this country—how much we have to spend on education, scientific research, health and welfare, and so on—that a list of priorities should be established. I have a feeling that implied in this suggestion that expenditures under this heading—particularly Health and Social Welfare—are some type of a drag on the economy—that is, they are Government expenditures which have to be taken in either by taxation or payroll deductions—nevertheless there is something wrong with this kind of exepnditure, that it may inhibit the growth of the economy. I would like to suggest to the delegation there are other aspects as well. Do these type of expenditures not stimulate the economy in many ways? They are transfer payments and, as others have pointed out, they go into the hands of people who largely use them for consumer purposes, so they come back into the economy again. I have the feeling this whole thing is presented in a vacuum and without too much regard to the total economic picture. That is as specific as I can be, but I think they will know what I am driving at.

Dr. CRUICKSHANK: I will ask Mr. McPherson, if I may, to take a crack at those questions.

Mr. R. B. MCPHERSON (*Member of the Committee on Health and Welfare, Canadian Chamber of Commerce*): Mr. Chairman, I am sure I could not give a precise, quantitative answer to all the gentleman's questions. I could merely talk to them.

Mr. PRITTIE: That is all I did.

Mr. MCPHERSON: This table was not presented to suggest any maximum. As you know, economists in various countries have suggested from time to time a certain quantitative maximum as to the amount of social security expenditures.

I personally feel there is no absolute quantity, that that depends on the wealth of the country and the state of economic development. This was not put in for that purpose. This was put in for one or two other purposes. It does show that the country with whom we have to compete, our largest competitor, its social security costs are less than ours. It is a fact we wish to bring to the committee's attention.

You did mention there was another side of the coin in terms of cost, and there certainly is. The cost is one side; the incomes are the other side of the coin. The income is generated by the social security expenditures. I think it is the task of any group which is trying to further the growth of the economy—whether from the standpoint of business or government—to strike that balance. I certainly cannot suggest any particular balance, but there has to be, in my opinion, a balance developed. Maybe social security expenditures could be a drag if they became too large. They might be a drag if the incomes were too low. In other words, it is a balance we are trying to achieve.

You mentioned one other factor, and that is priorities. Of course, that opens a very large door. I have a list of some of the things that I think should be taken into account in establishing a system of national priorities. There are social priorities, education, pensions, cultural priorities, industry investment versus expenditures, developmental roads, public works, and defence. This long list is complicated by the fact that you have to establish priorities in terms of current expenses and capital expenses.

Mr. PRITTIE: I have one other question. Perhaps Mr. Osborne could answer it.

I have not read the recent report of the Economic Council, but does that report or any other economic study refer to the percentage of national income that a country can afford for health and welfare measures? The gentleman answering said he could not be absolutely sure, and I said I could not understand that. However, are there any studies in this field?

Mr. OSBORNE: Mr. Chairman, may I say that I have not read the report of the Economic Council in full, so I cannot say whether or not it includes such references. Secondly, in the economic report it was reported by Mr. Bryce and was appended to the proceedings of this committee a reference to the percentage of gross national product that is spent on income security for the aged in selected foreign countries, and you will recall that of the countries chosen Canada was at the bottom of the list.

Mr. PRITTIE: Yes, that is one particular item you are referring to there.

Dr. H. F. HOERIG (*Chairman of the Executive Council, Canadian Chamber of Commerce*): Mr. Chairman, may I attempt to answer further the question raised by the honourable gentleman. I would like to read from the First Annual Review of the Economic Council of Canada, because I believe, sir, it partly answers your question, and I believe that the philosophy which is expressed is one which the Canadian Chamber of Commerce finds sympathetic to its own views.

What the report says may be a little long, but I think it is worth reading into the record. This is from page 199 to 200, starting with the second paragraph of page 199:

> Social progress obviously requires balanced development in a number of fields, including social security, education and worker training, health services and standards, housing, and cultural and recreational opportunities. Social progress is thus not attained solely through higher rates of pay, shorter hours of work, and improved material standards of living. The growth of physical production, however, sets the limits within which continuing social progress can be made. Thus, improved

social welfare programmes and economic growth are not really alternatives. Only if sustained increases in productivity can be achieved will it be possible to have, over the longer run, consistent advances in social welfare.

We would therefore argue that the most important contribution which can be made to future improvements in social welfare will be successful attainment of our basic economic and social objectives, including the goals of high employment, rapid productivity growth and reasonable stability of prices. We emphasize that the real costs of failure to attain our basic objectives will ultimately fall on individuals in terms of unemployment, lost income or reduced purchasing power. Moreover, such failure—for example, in the form of high unemployment or rapid price increases—would obviously tend to intensify both the needs and the social pressures for government programmes and policies to safeguard individuals against inequitable costs and burdens in the highly complex and highly urbanized Canadian economy in which we now live. Conversely, successful achievement of the goals will help to minimize not only the extent and the severity of individual hardships and burdens in the economy, but also the welfare problems and needs in Canadian society. The most effective "war on poverty" will be effective achievement of potential output, with adequate accompanying labour market policies and other measures to facilitate adjustment to change. Steady economic growth would also make possible significant improvements in standards for low-income groups, and provide rising margins of income and resources over time for further advances towards more comprehensive and adequate services and facilities in the social welfare field.

Nevertheless, we recognize that there will be Canadians who, for various reasons, will be unable to participate in the high employment and income opportunities under conditions of rapid and sustained growth, and whose poverty may become more acute and more obvious in a high-income, high-growth economy. The public must ultimately decide what degree of income redistribution it is prepared to make and what form it should take. But we believe that in an increasingly affluent society there will be growing scope for energetic measures to attack the problems of poverty.

We are impressed by the extensive array of private and public social welfare payments and services which have been established and are available in Canada. At the same time, we believe that over the longer run it will be important to consider remaining gaps—for example, in the field of medical care. At the centre of interest in this latter field is, clearly, care for the aged whose needs are greatest, and care for the poor whose resources are slimmest. More generally, we recognize that medical catastrophe remains an unpredictable threat to the financial security of many families. Other potential areas of need are those of safeguards against loss of wages during prolonged periods of illness, and more effective rehabilitation services for both the physically and socially handicapped. We are well aware that there are many complex questions involved in considering what combination of public and private means may be appropriate to the administration or financing of such advances in social welfare.

You raised the question of priorities, sir. We would not attempt to advise the Government on the exact order of priorities, but I think we are somewhat surprised to find that one of the first major steps of the Government is in an area of pensions, which is already being served by the private enterprise system,

and that it leaves untouched some of the needs to which this document refers and with which we are in complete agreement.

In other words, we can at least define priorities to the extent that as businessmen we have seen ourselves making significant progress in this country in providing jointly with employees a system of pensions which, while it has not become universal, has nevertheless been making steady progress towards the assurance that gainfully employed workers shall, sir, have a pension plan which will provide a part of their livelihood in retirement, and the Canadian, I think, has always been effective as a rugged individualist to do some planning for himself.

Now, these people, sir, are the ones who are really in a position to take care of themselves, but the new plan proposed has, we think, a weakness in that it leaves untouched large areas where people who are not gainfully employed and who may be casual workers are not covered by the scheme. These are people who have suffered by the stresses which come in the field of human relationships and are not covered by any one specific scheme such as the pension plan.

These people are not provided for and it seems to us that this is a priority which perhaps comes first, and private industry which has done a job in the pension field is not in nearly as much need.

Mr. PRITTIE: I wonder, Mr. Chairman, if the question of whether the private insurance field has adequately covered pension needs has been raised. I am sure other members of the committee would like to raise that, and so I will content myself with one comment.

One can hardly argue with the statement of the report of the Economic Council which the gentleman has read. They are simply saying that there seems to be a need for a continuing prosperity, and I would like to stress that these transfer payments of this type and others help to sustain the demand for a prosperous economy. In other words, a great deal of money goes to the private enterprise field.

Mr. LLOYD: Mr. Chairman, may I make an observation here on a question of procedure. It is not a supplementary. I believe it was Dr. Hoerig who read into the record these excerpts from pages 199 to 200 of the Economic Goals for Canada to 1970. I am sure that he would like us to have the full context because it begins with some observations as to social capital needs in the areas where they must be supplied.

I wonder if he would object if the first two paragraphs at the bottom of page 198 were included with his observations? Otherwise, it is meaningless.

Dr. HOERIG: I would agree that these first two paragraphs should be read into the record, but they do not change at all the views that were expressed in the latter part.

Mr. LLOYD: Well, we will ask you about that later.

Hon. Mr. CROLL: Let them be placed on the record.

> The assumed pattern of government expenditure at potential output in 1970 allows for a high and sustained rate of growth in investment in social capital. This is required for increased over-all productive efficiency in the economy. It also reflects the growing demands in a high-income society for improved schools, hospitals, highways, streets, parks, cultural and recreational facilities.
>
> There is a particular need to improve our cities for both economic and social reasons. This requires, among other things, rehabilitation of dilapidated residential areas or clearing some of these areas for more efficient use for commercial and other purposes. In the field of housing there is a need for improved living accommodation for families and

individuals who are now relegated, by economic circumstances and urban decay, to substandard and blighted living conditions. To attempt to deal in a comprehensive manner with these needs will require the development of policies and programmes directed towards the elimination of their underlying causes. Many problems exist in this field and available information about them is meagre. But we believe that it is essential to develop a much larger and more effective programme than now exists for urban renewal and low-rental housing.

The CHAIRMAN (*Mr. Cameron*): Senator Thorvaldson, you had a question?

Hon. Mr. THORVALDSON: I have no questions at the moment.

The CHAIRMAN (*Mr. Cameron*): Then, we are back to you, Mr. Knowles.

Mr. KNOWLES: I thought Mr. Basford was next.

The CHAIRMAN (*Mr. Cameron*): Yes I put him ahead of you.

Mr. BASFORD: Mr. Chairman, through you I would like to ask the delegation a question with respect to the comment that is found at page 11 of their brief, to the effect that the consequences of the development of a large pension fund provided by the Canada Pension Plan on the availability of Canadian capital for the producing sector of the economy should be recognized. Dr. Hoerig has cited with approval the first annual report of the Economic Council, and I am wondering whether he would also cite with approval some other quotations from the same report which discusses the proposed universal contributory pension plan. I quote:

> However, calculations based upon the growth conditions we have assumed for employment, income and prices indicate that by 1970 the annual contribution income of the plans (based upon the rate provisions outlined in the federal government White Paper) would amount to slightly more than 5 per cent of total gross private saving. This would be somewhat more than one per cent of the Gross National Product. Consequently, as the White Paper notes, even if this entire sum were diverted from the stream of private saving, the effect on the rate of total saving would be limited.

Then, projecting further beyond 1970 at page 130 the report goes on:

> We incline to the belief that the stability of the rate of gross private saving will not be significantly affected by the introduction of the plans.

Having approved of one part of the report I wonder if you would also approve of those parts?

Dr. HOERIG: Well, sir, I assume that the figures you read are based upon a factual analysis and, therefore, they cannot very well be rejected, and I shall accept them. However, I think that our position as stated in our brief is —as we have pointed out, if it is the with of Parliament and the Government to take this course of action the country is going to survive, and it is going to grow. We suggest that it may not be the best way, nor may it be the most most important thing to do at this time.

Dr. CRUICKSHANK: I wonder if I could ask Mr. McPherson to comment on Mr. Basford's question?

The CHAIRMAN (*Mr. Cameron*): Yes, certainly.

Mr. MCPHERSON: This opens up a fairly large question. I am an economist in industry, and I have the greatest respect for the Economic Council, and also for the White Paper presented by Dr. Bryce which is reported in the Minutes and Proceedings of this committee, No. 8. The Government, of course, has a much larger research organization than I could command, or that anybody in industry could command. The only reason that I might quarrel with

some of their figures—and one in particular—is that for a quarter of a century I have been pretty close to the investment operations of this country, and the one major figure with which I disagree is that which has to do with long term capital requirements.

Private industry in 1964 invested something of the order of $5 billion. Now, if we are going to provide the tools for the 150,000 people who will be entering the working force each year then by 1970 I think this figure will probably be double that. It will be $10 billion or $11 billion.

This, of course, is an estimate. I prepare it for our board of directors, and I had no ulterior motive. My figure is double that of the estimate of industrial expenditures being made today. If we add to that the actual expenditures of government and of housing and all those other things we can obtain a capital investment figure by 1970 of from $15 billion to $16 billion. This is where I am higher than the figure of the Government agencies.

In terms of savings, the best I can see is something like $12 billion. That means this country will be faced with a capital deficiency by 1970, if we are to have full employment, of something between $3 billion and $4 billion.

These are figures that are not presented to this committee in order to give precise quantitative estimates. They are orders of magnitude. They do suggest a very serious gap which I think anyone embarking on a program such as this should investigate much more fully. I cannot say it is going to be this, but I can say I have done enough work to suggest that this estimate deserves a great deal of consideration.

I do see a gap, and I do differ from Dr. Bryce's White Paper and the report of the Economic Council to that extent.

Mr. BASFORD: I want to be brief so that the other members have an opportunity of asking questions. Again, I notice at page 11, subparagraph (6) reads:

> The additional costs arising from the current pension proposals will add their contribution to making our competitive position at home and abroad more difficult.

I can appreciate very much the concern of the Canadian Chamber of Commerce over the cost of doing business. I am from British Columbia, and I am probably most concerned with the cost to the pulp and paper industry which is, of course, an exceptionally important industry to Canada. It is the largest earner of foreign exchange in Canada. We had submitted to us the other day a submission of the Canadian Pulp and Paper Association which had this to say:

> If the actuarial assumptions as to the cost of the Canada Pension Plan are correct, and if the pulp and paper industry is able to achieve satisfactory integration with existing private plans, the cost of the Canada Pension Plan will not be detrimental to our industry.

When they say "the cost of the Canada Pension Plan will not be detrimental to our industry" I presume they mean it will not be detrimental to their competitive position at home and abroad. I find that a very important statement from this very important trade association, and it would seem to differ from your general conclusion in your brief.

Mr. LITTLE: Mr. Chairman, I think the point taken by the pulp and paper association is quite understandable. I think you must deal with industries one by one in this connection, and this happens to be a low-labour intensive industry, as I understand it. You can take other examples in which you will find that the reverse is true. I think the White Paper does come to the conclusion—and this is at page 419—that it seems likely from a consideration of the figures and the economic interrelationships that the commencement of the pension plan will give rise to a modest increase in prices in the Canadian economy, perhaps of the order of 1 per cent. Now, this 1 per cent increase in price is, in our

view, not insignificant when we are already in difficulties from a price point of view in competing with those abroad.

We are back to this question of priorities. If you take a series of costs, one by one, and say: "We will adjust this by 1 per cent, and we will adjust this by 1 per cent, and we will adjust this by 1 per cent"—well, in isolation each can be made to appear very insignificant and something that you can accept, but when we look at the whole broad spectrum of prices in this country over the next five years we see a different picture, and we should consider what comes first.

Mr. BASFORD: I was interested in your comment on this comment of this important industry, which is to the effect that this will not be a factor in their competitive position.

The CHAIRMAN (*Mr. Cameron*): Mr. Knowles?

Mr. KNOWLES: May I draw attention to, and base a question on, a statement that is to be found at page 7 of the Chamber's brief. On that page I note the words:

> The Canada Pension Plan does not provide for those Canadians who are now aged, orphans, widows and disabled.

Then, a sentence or two further down, one part of that is repeated in these words:

> The Canada Pension Plan will provide no benefits to any person aged 69 and over as of today.

I might say to the delegation that this is a shortcoming about which I too am deeply concerned. I wonder if the Chamber could tell us what they propose we should do for Canadians who are now 70 years of age and over.

Dr. CRUICKSHANK: I did read out the recommendation, Mr. Knowles.

Mr. KNOWLES: There is a reference at page 13 which suggests that something be done through suitable modification and reformation of the Old Age Security Act to meet present day needs.

Dr. CRUICKSHANK: That is right.

Mr. KNOWLES: I think you will realize that I am asking you, with all respect, to be a little more specific, and tell us what precisely it is that you do not agree with in the Canada Pension Plan and what you would propose to do for this group of people.

Dr. CRUICKSHANK: May I ask Mr. Davies to take that one on, Mr. Chairman?

Mr. DAVIES: We are proposing that some changes be made in the Old Age Security Act to fill the gaps which we have observed in the Canada Pension Plan as it is now written, to take care of people who are over the age of 70. We feel that something should be done for people who are very old. I will not say what ages should be considered, but we are concerned about the fact that over the course of time an individual's savings decrease. We referred to that, and we refer to persons of very advanced ages. In addition, we are thinking of situations in which there is a sufficient spread between the ages of a man and his wife so that the wife is not entitled to the old age pension and yet not young enough to be a wage earner. Again, we have not spelled these figures out in dolar and cents. We are merely pointing out the fact that to solve the problem larger sums of money must be provided for couples who are in such a situation.

Mainly, we are saying that the gaps that we see in the Canada Pension Plan can be filled, and we are thinking not only of those aged 70 and over, but those of other gaps, and also the old age security program.

Mr. KNOWLES: Mr. Davies, I appreciate that you have made precise suggestions with regard to different categories—for example, those who have attained 75 or 80, the case of a husband and wife, both of pensionable age—but does not that still leave you in the position of not carrying through with your complaint about the pension plan that it does nothing for those Canadians who are now aging? What about the people from 70 to 75 who are on $75 a month? Does the Chamber propose that that flat rate of benefit be increased?

Mr. DAVIES: Again, as I say, we have not come up with dollars and figures. We are talking about the individual who is a single person or who is a married person and we may have a different answer. When a man and his wife jointly are over the age of 70 we are talking of a pension of $150 to the two together.

Mr. KNOWLES: That is the present position.

Mr. DAVIES: That is the present program without the Canada Pension Plan. I would not say whether this is exactly adequate but it certainly is not adequate where the wife is not of an age to enable her to get the additional $75 and this is the purpose of suggesting an additional sum in the case of men and their wives where there is a discrepancy in the age group. That would take care of the man of 72 or 73 whose wife is 62 or 63.

Mr. KNOWLES: But you do not propose any increase in the amount of the flat rate benefit on any universal basis?

Dr. CRUICKSHANK: We think of people of very advanced age who have their savings depleted and the cost going up and we think that probably that is a reasonable recommendation. We also think there ought to be some provision in the present plan for the widows and for widows of pensioners. There should be some provision for people who retire before age 70. Perhaps you would need some sort of an income test. However, these are the types of things we feel are needed to keep the universality of the present O.A.S. together, and perhaps not incur any later obligation than the plan that is recommended. On page 4 we have a list of the various questions we had, and I might get Mr. Davies to speak to you. You realize that the figures here are not subject to very close review.

Mr. DAVIES: Once again we are talking about certain gaps in the Canada Pension Plan. You mentioned certain gaps a moment ago. At the moment the plan does not provide anything for the present aged, orphans, widows and disabled. We feel that a program of this nature, which is a welfare program, should be more concerned about the people who need the funds most. Later on there will be reference to the fact that we see windfalls coming to those people who perhaps do not need them, but we see nothing for those who needs the funds most at present. They are the widows, the orphans and the disabled. At the present time we estimate that we may be talking of one million people in that category, roughly speaking, where we feel there is a weakness in the Canada Pension Plan.

Mr. KNOWLES: I wonder if the delegation realizes the rather difficult spot in which this committee is placed in this respect. We have had a number of delegations take more or less the position the Chamber is taking, namely, that the priorities are wrong, that the Canada Pension Plan should not be gone through with, because there are other things that represent greater need. Yet, with very few exceptions, most of those delegations will not come straight out and tell us what is to be done about those other needs. You have told us there are a million people. You would be giving us some alternative to the

C.P.P., to the money we would be prepared to raise and spend on it, if you could say that so much money should be placed in a certain flat rate benefit to certain people.

Mr. LITTLE: I wonder if I might speak on behalf of the chamber. It may be that we were at fault, but we did not think it our duty to come with an alternative to the C.P.P. In our view, we were doing a service when we analyzed the plan, when we put forward our opinions on it and detailed the shortcomings we thought to be in it. We simply point out that there are very serious and important gaps which we think can be covered by suitable amendments and adjustments of the old age security plan. There is no doubt about that. It is quite true that we have not tried to analyse whether the $75 a month should be $110 or $162. This is a study in depth and should be made of the pension requirements of the people of the country. We must be the first to confess that we have not estimated this. We are simply pointing out what we think was a shortcoming and we thought the detailed analysis was perhaps your job, sir.

Mr. KNOWLES: I take it then that the Chamber has objections to the Canada Pension Plan, thinks there are other things to be done, but the Chamber is not itself presenting precise alternatives?

Mr. LITTLE: Not precise.

Dr. CRUICKSHANK: Fairly direct, though. We are not setting down dollar figures.

Mr. KNOWLES: Consider our position as members of the committee to which a bill has been referred, which has had second reading in the house and, in case you may not know this, for which we all voted. We have to report back. What do we recommend? That the bill be adopted as is; or do we try to amend; or do we say "In view of the representations we have heard, we think the bill should be rejected." What would be your advice to us?

Mr. LITTLE: Mr. Chairman, if I may take responsibility for the Chamber, there would not be any doubt in my mind that the present bill should not pass and that the question should have a great deal further study.

Mr. KNOWLES: I want to express appreciation of that forthright answer. I do not say I agree with it but it leads us to understand what we are asking about. Let me ask another question.

Hon. Mr. THORVALDSON: Mr. Knowles, would you allow a supplementary question to the one you have put—just one?

Mr. KNOWLES: Delighted.

Hon. Mr. THORVALDSON: I was going to ask Mr. Little or Dr. Cruickshank whether you would think as an alternative that there be a complete review of our social service system from the federal point of view, such as there was when the old age pensions system was adopted in 1950. You will recall that there was a joint committee of the House of Commons and the Senate which sat for long periods of time. They considered the whole needs of the country. In reply to Mr. Knowles, would you suggest that such a review, a comprehensive one, might be preferable to throwing into this committee one bill, the Canada Pension Plan, and saying "Here it is, take it or leave it, and that is it."

Dr. CRUICKSHANK: That was our first point, senator.

Mr. BASFORD: On a question of privilege, no one has told us "Here is a bill, take it or leave it." The Prime Minister has made it very clear, as also has the Minister of National Health and Welfare, that this committee is to examine and is free to make whatever amendments it wishes and report on it.

Hon. Mr. THORVALDSON: It seems very much that it means "Take it or leave it," and I hope it does not.

Mr. KNOWLES: I did not mind the supplementary question, but I would like to ask questions now about some details. You make it clear in your brief that you are opposed to the indexing feature of the Canada Pension Plan, certainly the provision of increases either in the Canada Pension Plan benefit or the old age security plan benefit, or based on increases in the consumer price index. I am right in interpreting that as your position?

Dr. CRUICKSHANK: Yes.

Mr. KNOWLES: Do you have any alternative method to suggest for increasing the rates of pension or benefit through the years?

Dr. CRUICKSHANK: Yes, we have.

Mr. KNOWLES: What are they?

Mr. MCPHERSON: In regard to that, I would like to give the subject more attention than I have. I object to the indexing on this basis, that it occurs in an inflationary situation, that is, when the demand for goods exceeds the supply. It should be the concern, during that particular period, to curb demand to prevent any further distortion in demand. Suppose we have a period of increase in prices and then the pensioners are not as well off as they were before. While it may be a harsh suggestion in your eyes, my suggestion is that we should not increase pensions as of that time during this period of acute economic difficulty, but that we postpone this inevitable adjustment until supply and demand are in better balance, and then adjustments can be made without seriously distorting our price system. In other words, do not add fuel to the flames. Let us put the fire out and then make the adjustment.

Mr. KNOWLES: May I indicate that the witnesses we had before us this morning, the group representing the life insurance underwriters, were also opposed to indexing on the basis of the consumer price index, but they did say quite categorically that they thought pension rates should be adjusted in keeping with the general standard of living of the community. Would you support that principle?

Mr. MCPHERSON: That brings something into consideration—the question of policy of the Chamber, which I have not at my fingertips, but we are committed to a policy which takes care of the aged.

Mr. KNOWLES: By the aged, do you mean people who grow up to 75 or 80, or the older age population in general?

Mr. MCPHERSON: I mean the old age population generally. I think that is our policy, but I am speaking from memory.

Dr. HOERIG: I think the answer to Mr. Knowles' question is that we believe the indexing provision is a kind of straightjacket. It prescribes what has to be done in advance of really being able to say what the situation may be like 20 years from now. As business people, we like a posture of flexibility to meet our competitive problems, and it seems to me that the recommendation needed to be made would depend on the resources of the economy at any time. The plan should be subject to adjustment, but based on the needs and the situation existing at the time, rather than prescribing a formula.

Mr. KNOWLES: When you object to indexing are you referring only to the indexing included in this plan, post-retirement, on the basis of the consumer price index changes, or are you also opposed to the indexing that upgrades the pension of a competitive scheme according to the wage level?

Dr. CRUICKSHANK: It is the automatic feature we object to, sir.

Mr. KNOWLES: You are in favour of adjustments, but not automatic adjustments?

Dr. CRUICKSHANK: That is right.

Mr. KNOWLES: I have one other question.

Mr. BASFORD: May I put one question first? Mr. Anderson, Chairman of the North American Life, who made a very valuable contribution to this committee, suggested that if the increases were tied to wage levels this would avoid the bad features of trying to index. I wonder if Mr. McPherson has any comment.

Mr. MCPHERSON: Again, one would have to look at the actual situation as it exists at the time. If the index of wages were followed by productivity it would be reasonable to tie the two together, but if it were a result of inflationary pressures I would be against tying the pension to the wages. I think it all depends on the conditions prevailing. I thnk any government or person administrating would appreciate the flexibility feature.

Mr. BASFORD: Mr. Anderson's thesis was that by tying it to wages you would be tying it to productivity.

Dr. CRUICKSHANK: I think if it were related to the real standard of living, it would be an increase we would appreciate.

Mr. KNOWLES: May I now go to my other question? This is a hypothetical question, but I do not think that the hypothesis is unfair. If there is going to be something of the order of the Canada Pension Plan in Canada—and I am addressing this question to you as representative of the opposing side of the table—I have in mind your complaints about the complications of the plan. Which would you rather see, one plan for all of Canada or a plan in which one or more than one province opts out? I should not be coy about this. We know that Quebec has opted out. What about Ontario's position? If it opts out, does it make things more complicated in handling this plan?

Dr. CRUICKSHANK: No doubt the greater number of plans the more complicated it is for industry administratively.

Mr. KNOWLES: In other words, if there must be a plan, you prefer the fewer number of plans?

Dr. CRUICKSHANK: We do not prefer this one as it is in its present form.

Mr. KNOWLES: I realize that. That is why my question was hypothetical.

Dr. CRUICKSHANK: You add to the complications.

Dr. HOERIG: Certainly in our modern society mobility in population is a very important point. I think we would support wholeheartedly uniform legislation right across the country, whether passed by a province or by the federal Government.

Mr. KNOWLES: In other words, you want uniformity and portability.

Dr. CRUICKSHANK: Yes.

Mr. MORISON: How do you present this mobility from one province to another?

Dr. HOERIG: We have been asked whether we prefer uniformity or not, and we do. I know that the practicalities of provincial and federal integration are perhaps of a broad scope, and we would like to collaborate with government.

Mr. BASFORD: Are you prepared to tell Premier Robarts that?

Mr. MONTEITH: Or Premier Lesage?

The CHAIRMAN (*Mr. Cameron*): Senator Croll?

Hon. Mr. CROLL: Well, we want a plan for Canada, and if Mr. Lesage is listening, that is good, too. However, let me ask this question in the light of that background. I understood Dr. Cruickshank to say that we were meeting in an atmosphere of prosperity—although I do not think he used the word

"booming." But I lead up to this to indicate that when you are thinking about measures such as this, this is the time to do it rather than when the economy is not in such a healthy state. The matter of priorities appears in your brief, as well as in many other briefs.

Dr. CRUICKSHANK: Yes.

Hon. Mr. CROLL: You speak of pensions and health, education, and I think you use the words, "priorities for human betterment and improved standards of living." No one disagrees with you, doctor.

Then I think it also appears in your brief that these things cannot be done simultaneously. Whether or not that appeared in your brief, I am not sure. In any event, you would have to agree that they cannot be done simultaneously.

Now, Mr. Little said in answer to a question that the problem is what should come first. Is that not a political problem, and has that not been solved by Parliament in making a choice, wise or unwise, and in saying, "This is our choice of the priorities, and we present this plan?" So I get back to your recommendations, referring to page 13 at the bottom, and continuing on page 14. As I understand it, what you are really saying is, "If you people are going ahead with the plan, which we don't like . . ."—and that is your privilege, of course—"this is what we suggest you should take into consideration in addition."

About two-thirds of the way down on page 14, the brief says, "It was recommended that the federal government should adjust the present old age security plan." That has troubled us ever since we have been sitting here. It is the real crux of the whole business. However, what you are saying is that if you were going ahead with the plan, some such plan, these are the four things we want you to consider in addition to these other matters. Is this correct?

Dr. CRUICKSHANK: It provides for universality, yes.

Hon. Mr. CROLL: No, we are not dealing with universality. What you are saying in effect is that if it is the decision of the people to accept the principle of Bill C-136, you will have some ideas, even if we are stuck with this. You say that the maturity period could be lengthened. What have you in mind?

Dr. CRUICKSHANK: Twenty year.

Hon. Mr. CROLL: That was the original suggestion. The indexing, I am not going to cover because Mr. Knowles has done that. I am not going to cover number (4), because that is so obvious that it will be done. We take a look at number (3), and I do not quite understand what you are saying there. Dr. Cruickshank, you will accept for the moment that the plan is accepted in principle. If a plan is accepted in principle, how can you possibly invoke (3), because (3) is contrary to the principle of the plan? Were you trying to say something else, or what?

Dr. CRUICKSHANK: I will call on my financial friend to answer this one.

Mr. LEON MONDOUX (*Health and Welfare Committee, Canadian Chamber of Commerce*): I believe this paragraph arose from wear that perhaps we would be submitted to undue pressure from the public.

Hon. Mr. CROLL: From the public?

Mr. MONDOUX: Yes, with regard to things that the funds were not intended to cover. We realize that perhaps this will be left in the hands of the provinces, but we felt we had to say something about the necessity to protect the funds so that being a savings they would be used as savings, promises to pay and available to pay the promises, and when the date came up, to pay back. I believe that was the intention there, a sort of message to the nation.

Hon. Mr. CROLL: While you are on your feet, you know that if a province borrows from this fund it pays at a rate of 5 per cent. I think that is in the bill someplace.

Mr. KNOWLES: There is a formula.

Hon. Mr. CROLL: Which means 5 per cent. That is not an unreasonable or too low a rate, is it?

Mr. MONDOUX: Isn't it possible, by using these funds that way, to by-pass the usual checks and balances the province has to face when borrowing money?

Hon. Mr. CROLL: What checks and balances does the province have to face when borrowing money? Constantly throughout these briefs—and the same thing last night from very intelligent people—has been expressed the constant fear the province was going to put it in its pocket and go to Florida. It appears in many of the briefs. Here it is in the Winnipeg brief. I am waiting to ask the question if they are talking about the premier of the province. I am sure they are not, but I just marked it. I cannot understand the constant repetition of doubting the integrity of the provinces. My own view is, and this goes for all the provinces, that in the main they are generally well run and they are pretty careful.

Mr. MONDOUX: We were aware of the dangers when we put that down, that it could be interpreted as a slight, but it was not at all. We have seen what has happened to the Unemployment Insurance fund.

Hon. Mr. CROLL: Yes. Don't open me up on that, will you?

Mr. BASFORD: Coming from British Columbia, I do not accept Senator Croll's suggestion regarding provincial finances.

Mr. MACALUSO: Mr. Chairman, a supplementary question on that. The Chamber recommends this be held in trust like private pension funds. Is the Chamber recommending these funds be held by a state agency for investment, as private plans do?

Mr. MONDOUX: We hope it would be put under some form of control by the provinces. I imagine it will be so in many quarters.

Mr. MACALUSO: Are you recommending—or I assume you might be—that in investing they might invest in real estate, bonds and common stock?

Mr. MONDOUX: No, I think investing in a school is a good investment, but putting two swimming pools in the school is not a good investment.

Mr. MACALUSO: I am not following you. What do you suggest they use the funds for investing in?

Mr. MONDOUX: I would not embark on that.

Mr. MACALUSO: Would not a state agency, by your suggestion, be competing with private interests in the investment field—something you are against and something probably I am against?

Hon. Mr. CROLL: May I ask you one question? You are a financial man.

Mr. MONDOUX: Not necessarily, and that is why I am in hot water just now.

Dr. CRUICKSHANK: I would like to get Mr. McPherson to say a word to this.

Hon. Mr. CROLL: Very well, go ahead, Mr. McPherson.

Mr. MCPHERSON: When the committee was discussing this problem we raised the question—and we did not have the answer to it—whether these increased borrowing powers of the provinces would be used to enlarge their expenditures, their spheres of activity, or whether they would be used instead to supplement or to present alternative forms of financing. We did not know the answer to

that question, but we thought it reasonable to suggest that these funds be segregated so they could be published and so that the public, the voter, would know how they were used.

Hon. Mr. CROLL: I do not think anybody would disagree with you. As I recall it, many of the provincial premiers who talked about this used the term "social capital".

Mr. MCPHERSON: Yes.

Hon. Mr. CROLL: That is significant. Dr. Cruickshank will tell you what that means—he has lived with it many years.

One more thing while we are on funds. We have heard a great deal of talk here from various people, who were also interested in the economy and the welfare of Canada, about the general investment funds that are used in Canada—and they are considerable—and that this will be a drain from the funds normally used for general investment. The evidence before us indicates 5.7 per cent of, I think, what was used last year or projected the year after. Is that a serious matter, or does that figure—I think $600 million, or whatever it was—

Dr. CRUICKSHANK: I think Mr. McPherson has some figures on that.

Mr. MCPHERSON: Senator Croll, I talk about this serious gap between the supply of savings and the demand for capital. Now, I pointed out some people do not agree with me, but if I am right then it injects a really new priority into this situation, and that priority against which every other capital expenditure must be judged. That is, are we going to have the money to provide the equipment to employ the 150,000 people coming on the labour force? That, to me, is the crucial question. If this country is assured we have this capital then my argument loses all validity. But, if in the view of what I consider a deficit, we are diverting funds away from those people to provide equipment for social capital, then that could, in the long run, be working to the detriment of the economy and would be a serious drag on the economy. We might have the healthiest, best educated group of unemployed in the world.

Hon. Mr. CROLL: I agree with everything you have said, but the question I asked was, regarding this 5.7 per cent of that capital you speak about in any given period of time, why would that have any effect on what you and I can at the moment see, an economy that seems to be moving up from year to year and time to time, and will continue to?

Mr. MCPHERSON: Let us put it in orders of magnitude. Suppose there is a shortage of $3 billion, a gap between savings and investment. Say by 1970 something like $600 million is diverted from the private sector to this other sector. That is $600 million of $3 billion, which is about 20 per cent, is that it? It is 20 per cent of the gap.

Hon. Mr. CROLL: The figure given here was $5 billion as against $600 million, and it came down to 5.7.

Mr. MCPHERSON: Five billion dollars is our private capital investment this year. I believe our private capital investment by 1970, if we are going to have full employment, will be double what it was in 1964. This amount we are diverting becomes much more serious in terms of the size of our gap.

Dr. CRUICKSHANK: Hasn't it to do with the employment of capital to improve the efficiency of the province so you can get a return on your investment?

Mr. MCPHERSON: This gap is something I have given a great deal of thought to. We have not only to provide the tools but we have to take care of the wear and tear and technological advances. The figure is truly staggering. All I am saying is, let us be sure we have given consideration to this very essential ingredient of any growth.

Hon. Mr. CROLL: Doctor, I bow to your knowledge of this subject. I am the last one in the world to question it, because I certainly have not the understanding you have, but I am quoting expert evidence from witnesses who appeared before our committee. I cannot recall who said it, but it stuck with me and I marked it down at the time, so there is a divergence of opinion between you experts.

Mr. MCPHERSON: Yes, very definitely. There is this divergence, and I respect the viewpoint of other people very much, but I have looked at it this way and I am merely suggesting this is something which merits a great deal of investigation.

Mr. LITTLE: I quite understand the problem of trying to assess whether 5.7 per cent of savings is serious or of vital concern. We do not know, but our conclusion is certainly based on the report of the Economic Council that this country is going to need every bit of productivity and savings it can muster up within the next five years, and if there is a fall of 5 per cent this will affect millions of people and this is a very significant factor.

Hon. Mr. CROLL: Mr. Little, you are the man to answer this: When the Premier of the Province of Ontario has $100 million or $50 million, whatever is in that fund, surely to goodness he is going to use it in such a way that he does not have to go into the market against Joe Smith. Surely Joe Smith can get the money from somebody else and it will all be used. It is not going to lie there and rot. We are not building Fort Knoxes.

Mr. LITTLE: I would like to put it the other way round. We are the first to think that business can invest that money better than the government can.

Dr. CRUICKSHANK: Mr. McPherson was going to make a point concerning benefits.

The CHAIRMAN (*Mr. Cameron*): We will have Mr. Munro's question.

Mr. MONTEITH: I think Mr. McPerson was going to make another comment.

Mr. MCPHERSON: No.

Mr. MUNRO: I would like to ask the gentlemen from the Chamber a question concerning item 6 on page 12 of their report—"Features incorporated in the proposed plan complicate integration of existing private plans with the Canada Pension Plan." Then they go on to say: "In a 1963 survey by the federal Department of Labour, in establishments in Canada employing 15 or more employees, 77 per cent of the employees were in firms with private pension plans."

Now, could you tell me whether you have any idea in numbers what that 77 per cent represents?

Mr. DAVIES: In numbers I don't think I can answer the question. Could you just hold that for a minute? Perhaps I could get some figures for you.

Mr. MUNRO: I just wondered because you state here that this is 77 per cent.

Hon. Mr. CROLL: The evidence we had this morning was that only 40 per cent in Ontario were covered.

Mr. MUNRO: I was going to ask if they have any idea of how many employees the are in that number of smaller or marginal firms with 15 employees or less.

Mr. MCNALLY: This is taken from report No. 7, 1963, published by the Economics and Research Branch of the Department of Labour. It is entitled "Working Conditions in Canadian Industry". In the non-office employees this is covering firms with 15 employees or more, with the total number of employees involved being a million and a half.

Mr. MUNRO: Those are firms employing 15 or more?

Mr. MCNALLY: That is right. It is broken down also into office employees. The figure I just gave you was of plant employees, and in the office employees it is roughly 681,000.

Mr. MUNRO: That is included in the million and a half figure which you have indicated?

Mr. MCNALLY: No, one is the nonloffice employees, which is a million and a half, and the office employees is 681,000. If you add up 1.5 million and 681,000, you get a figure for a weighted average of 77 per cent, and I would like to point out to the committee that these are figures showing where pension plans are established.

It does not say that all employees are covered, but in a document which has been filed with the committee, and with which Mr. Osborne is probably familiar, there is a figure indicating that of this 77 per cent, about 70 per cent of the employees are covered within those plants.

Mr. MUNRO: About 70? I take it that you are saying that the overall employees in your figure are in firms that have pension plans, and would total approximately over 2 million?

Mr. MCNALLY: About 2 million, yes.

Mr. MUNRO: Now, I wonder if you had any figures of how many employees were included in firms with fewer than 15 employees?

Mr. MCNALLY: No, I am sorry we do not have that, and I don't think the department has it either because this is the figure they gave in their report

Mr. MUNRO: Now, I wonder if the Chamber is aware of recent statistics, having their source with the Dominion Bureau of Statistics, which would indicate that approximately 70 per cent of labour force are not covered under any private pension plan? I wonder whether they would disagree with that figure? Perhaps I should qualify that to be more precise by saying that they are not benefiting from any pension.

Mr. LITTLE: We don't have that information and I don't know whether we can agree with that in the absence of knowledge. Does that include everybody considered to be a part of the labour force?

Mr. MUNRO: Yes, the non-agricultural labour force who are not participating in any plan over 70 per cent. Approximately 70 per cent of the labour force.

Hon. Mr. THORVALDSON: Mr. Munro, would you give the source of that, please?

Mr. MUNRO: The Dominion Bureau of Statistics. Mr. Osborne has it and will supply it, senator.

Mr. LITTLE: This presumably will cover farm labour as well.

Mr. MUNRO: Perhaps I could have Mr. Osborne give the source of that information.

Mr. OSBORNE: Mr. Chairman, this is a publication of the Dominion Bureau of Statistics entitled "Pension Plans Non-Financial Statistics 1960" reporting the result of a survey the bureau conducted of pension plans.

Reference to the labour force should have made it clear that the 70 per cent figure is the proportion of the total labour force, including the agricultural members of the labour force. These data are for 1960. That was the last survey conducted.

Mr. LEBOE: That is five years old.

Mr. OSBORNE: At that time the figure was 72 per cent of the labour force which were not covered, or 28 per cent covered. One specific figure is 1.8 million persons covered out of the labour force of 6.4 million.

Mr. GRAY: Is there not a very recent publication giving the number of employees covered by trustee plans?

Mr. OSBORNE: Yes, those are only the trustee plans.

Mr. KNOWLES: May I ask a supplementary question? Would a reconciliation of these figures be achieved if we considered the 77 per cent referred to by the Chamber as being the 77 per cent of 2 million employees, which is about one million and a half, whereas the 30 per cent we are talking about is the total of 1.8 million out of the labour force.

Now, maybe the figures are of different years, but there does seem to be a reconciliation. The Chamber is talking about 77 per cent of a select group of 2 million and D.B.S. is talking about 30 per cent of the total labour force.

Mr. MUNRO: I think that would be an accurate summary, Mr. Knowles.

Mr. DAVIES: May I make a comment on that. I have a note here on pension plan coverage in Ontario, where it says that 63 per cent of paid workers are employed by employers who had a pension plan and 44 per cent with members of the pension plans. This refers to Ontario, and this latter figure is for all Canada. But what we have to remember when we have a figure of that nature which appears to be low, is that first of all we can only concern ourselves with employee-employer relationships and, secondly, that the covering does not take into account the employees who cannot join because of the eligibility requirements, that they would be entitled to join in some few years hence. I think if we were going to make a statement of how well employers have done we should really consider the age more close to retirement. I don't have any figures like that, but obviously it would be much greater for employees, say, from age of 50 to 65, or something of that nature, which show the figure to be in excess of your 34 per cent.

The CHAIRMAN (*Mr. Cameron*): I think, Senator Thorvaldson, you have something to inquire about.

Hon. Mr. THORVALDSON: We have been getting a lot of these figures based on various other figures and the committee itself could not get these through our own economists—at least not up-to-date figures that would be accurate in every way. I think it is important to have those figures so that we would not have to ask every witness what they are.

Mr. OSBORNE: Mr. Chairman, it is not possible to get up to date figures of a survey that is conducted only irregularly. The 1960 survey was a special survey of trust companies and insurance companies operating pension plans. In the absence of another survey, you cannot just produce the figures.

Mr. DAVIES: May I suggest that this Ontario survey is quite recent, and I doubt that the figures you are looking for, other than what is available in Ontario, are available.

The CHAIRMAN (*Mr. Cameron*): The information you have given is on the record.

Hon. Mr. CROLL: Mr. Chairman, that information was given this morning in connection with the Ontario Pension Plan by people who are well acquainted with it.

Mr. MUNRO: May I continue, Mr. Chairman? It would indicate, at any rate, that the Chamber, through its own authorities, has come to the conclusion that approximately 2 million people in the work force are employed by employers who have pension plans, but this does not necessarily mean that they are participating in the plan. Is that fair?

Mr. MCNALLY: May I refer to the 1963 report No. 7, published by the Economic and Research branch of the Department of Labour entitled "Working Conditions in Canadian Industry"? This report shows that in respect of non-

office employees there were roughly a billion and a half employees in the survey, and of these there were 72 per cent in establishments, employing 15 or more persons, reporting a pension plan.

Mr. MUNRO: And the totals came to somewhere in the vicinity of 2 million people.

Mr. LITTLE: That is a fair statement for that category of employer with over 15 employees.

Mr. MUNRO: Now, of course, we get into the question of those employers with under 15 employees, and I would suggest that in that area you are talking about small firms and marginal firms, with respect to which the percentage of participation in a pension plan would be less than it would be with respect to the larger firms.

Dr. HOERIG: That may be correct.

Mr. MUNRO: Even going back to 1960 when you had an estimated total labour force—and this includes agricultural workers; I made an error before —of 6.4 million, which would have increased very substantially since that time, I would think. But, even working on that figure of 6.4 million we are talking in terms of 3 million to 4 million people, I think you can safely say, and you can say 4 million people if it were not for this unknown factor concerning those firms with 15 or less employees, and just what degree of participation there is in private plans.

My question to the Chamber is: What do you propose so far as any participation in private plans is concerned by those approximately 3 million to 4 million people? I make that 1 million area differential there so that I will not be interpreted as being unfair in any way. What do you propose for this very substantial percentage of the work force?

Dr. CRUICKSHANK: First of all, we suggest there are some gaps to fill under the old age security, which are spelled out, although they are not spelled out in any specific way. Then, I would think, if you saw a curve of participation in private plans you would see an encouraging trend. We have discussed the importance of extending private pension plans on many occasions, but I do not think we have any specific recommendation to make there.

Dr. HOERIG: I would like to add to Dr. Cruickshank's remarks our alternate proposal to provide wider coverage over the old age security that is aimed at the concept that there are many people, perhaps, among this group who are not covered by private pension plans but who at the time of retirement are in a position of need for various reasons, and that is where—

Mr. MUNRO: I am sorry, I think my question was misunderstood. Perhaps it is my fault. I say except for those 3 million to 4 million that are in this range—I think I am giving the benefit of the doubt here because we are counting really 2 million in there who have pension plans, and it is acknowledged that many of them are not yet participating for some reason or other. What are you proposing, in respect of pension coverage for them, so far as participation in a pension plan is concerned? I am not talking about when they are retired, but since they are workers and do represent a substantial proportion of our labour force, they should have some accessibility to some type of pension coverage, and I wonder how you felt they should be dealt with.

Mr. LITTLE: I think the answer there, sir, is that there is a trend towards the inclusion of more and more of the work force. I think the latest data is for 1960. If you looked at 1965 you would probably see that this trend has continued.

As a matter of fact, in a society which reasonably prosperous pension plans become a condition of work, and an industry is, in a sense, competitive

to the extent that it provides an adequate pension plan as a part of the employment environment. I believe that as our economy grows we shall see—if the economy is allowed to take its course—a greater and greater coverage of the working force by private pension plan schemes. To me this is an evolution that can take place, and should take place.

Dr. CRUICKSHANK: With the broadened concept of the old age security as the basis.

Mr. LITTLE: Yes, with the broadened concept of the old age security as the basis to take care of cases of real need.

Mr. MUNRO: In this figure of approximately 3 million to 4 million—and again I emphasize that a great proportion of these are agricultural workers—many are obviously employed by very small employers, in the sense that they employ two or three employees. I think you will agree that private pension plans are not readily available to agricultural workers, and other such small employers. That being the case, if you agree with that, I am wondering what you would propose so far as allowing these people who number in the millions, I would say, some type of pension scheme in which they can participate.

Mr. LITTLE: It may be that that is an area in which the Government could take action to provide essentially a pension system which perhaps would be on a basis similar to that on which the private plans operate—an actuarial system. Perhaps such a plan could be devised to solve the problem of the employees of very small companies. This might be a possible area for Government action, but I think this would require some study.

If I understand your question correctly, what you are saying is that there are many small companies that are really not organized to handle this problem in the way that a larger company would be. It is possible there might be an area of section by the Government here, just as in the case of automobiles, for example, where the provinces require that the people themselves assume the liability for insurance in the event of an accident. I can conceive of legislation which would require a certain minimum standard on the part of employers in respect of adequate plans.

Mr. MUNRO: I think even the Ontario Government acknowledges the point that employers with less than 15 employees find it very difficult to participate in any private pension plan, and that is why they set that standard at 15 or more.

Mr. LITTLE: Yes, that is correct.

Mr. MUNRO: Then, you are prepared to concede that there is a very large percentage of our work force that should have some access to some type of contributory scheme, perhaps financed by the Government, subject to your giving the matter more study?

Mr. LITTLE: I think the Chamber of Commerce would agree with you, that there is room for progress in this area.

Mr. MUNRO: There is only one other question I want to ask. You did refer in your appendix—you were talking about private pension plans. I am referring to appendix II. At the bottom of the page you talk about private pension plans, and you say in the second paragraph from the bottom:

> Any Government regulations governing such plans should provide a maximum of flexibility to meet the varying types of employer-employee relationships in different kinds of business and industry.

Then you go on to say:

> Great caution should be exercised in any regulations respecting pensions, especially respecting vesting. To achieve effective portability, employees would have to be induced to not withdraw their contributions

in cash when changing employment and employers would have to be induced to provide for earlier vesting of employer's contributions under both contributory and non-contributory plans.

When the Chamber talks of these private pension plans, have they studied any figures as to the quality of these pension plans and the variance of benefits afforded under them?

Mr. LITTLE: I cannot quote you any figures on that, but the Chamber of Commerce, like any other society, changes its point of view as we progress. You have quoted here a paragraph from the 1961-62 statement of the Chamber of Commerce. I think it will be fair to say that the Chamber at this point recognizes the importance of portability and the impact it has on vesting. I do not know that the Ontario scheme—which I think calls for ten years of service prior to vesting or a minimum age of 35 provides this. I think our views are that private plans should move towards the area of improved portability. In our brief we commend this aspect of the C.P.P., the portability feature.

To come back to your earlier question on this group which is not covered by the private pension plans, it is true in a sense that they are at present contributing to the present contributory plan, O.A.S. and are covered to the extent that O.A.S. does cover the retired worker. Our proposal is that this may not be adequate and that the modifications of the O.A.S. may broaden the benefits of this group.

Mr. MUNRO: Mr. Chairman, without referring to a specific page, I think the Chamber would agree that they have talked about the great need for mobility of labour. It is a desirable need and we also talked of that. Yet there is some talk about these private pension plans. I wonder if the Chamber is not aware that many of these private pension plans that you are talking about are built up on a basis of perhaps 1 per cent a year of the employees' wages. This is one of the great motivating factors for the Canada Pension Plan, not only for those employees in such plans as that, but for all these employees in the work force that are not even covered, that they be allowed some uniform standard to have portability and that you will never get portability in such schemes that have such a slow build-up. Would the Chamber not be prepared to agree that this is one of the great incentives necessary for governmental legislation such as the Canada Pension Plan, not only to provide benefits for a great percentage who have not accessibility to private plans but also to assist in the mobility of the labour force who are covered under pension plans and who, were it not for this governmental action, would be obliged to remain with one employer all their lives.

Dr. CRUICKSHANK: I think the hon. member mentioned mobility of labour as an increasing part of our industrial economy but I do not think we should forget that stability of labour is also going to be a consideration over the years; so we have this sort of conflicting necessity actually in our modern industrial society.

Mr. MUNRO: Is the Chamber advocating competition and free enterprise in business but that the labour force should not compete and a man get the best price for his labour wherever he may go?

Dr. CRUICKSHANK: That is right, he should be able to do that; and industry also should be able to choose its workers.

Mr. LEBOE: Is Mr. Munro suggesting that there is no other legislative program which can provide portability? I want that clarified.

Mr. MUNRO: Yes, I am suggesting that, as the Chamber said here, on the variations they would want. I grant this was back in 1962 in the Chamber brief and the position may have changed. They said then:

> Any Government regulations governing such plans should provide a maximum of flexibility to meet the varying types of employer-employee relationships in different kinds of business and industry.
>
> Great caution should be exercised in any regulations respecting pensions, especially respecting vesting. To achieve effective portability, employees would have to be induced to not withdraw their contributions in cash when changing employment and employers would have to be induced to provide for earlier vesting of employer's contributions under both contributory and non-contributory plans. Since earlier vesting costs more than later vesting or no vesting, this becomes a matter of increased labour costs and a matter of price competition in both domestic and international markets. It is obviously inequitable to require employers already providing pension plans to meet standards that will increase their cost of operations while their competitors are operating without any pension plan.

I use that as an example, that it is difficult to get portability under any existing type of pension plan. I say that even if the Chamber made the statements they have in respect to private pension plans.

Mr. LEBOE: For clarification, are you saying it is impossible to have legislation outside of the Canada Pension Plan which would provide portability?

Mr. MUNRO: For all practical purposes, it is, considering the provincial jurisdiction and the necessity for co-operation amongst all provinces and considering the inherent difficulties involved in trying to get any real uniformity in all existing plans—I say that for all practical purposes it is impossible in the private pension field.

Mr. MCNALLY: The provinces had a meeting at the behest of Ontario, in which they brought together the other provinces to discuss the possibility of developing some sort of uniform regulations and requirements to deal with private pension plans they have within their own provinces. According to a press report, they discussed such things as the possibility of portability within the private pension plans within the provinces, the question of adjusting; and the question of uniform requirements; and the question of registration. So at least there was this discussion going on at the provincial level, having been called by Ontario to do these things, vis-à-vis private pension plans.

Mr. MUNRO: Even if this end could be attained, despite all the tremendous difficulties, we still have not coped with the many millions of workers who are either employed in agriculture or with very small marginal firms, under 15 persons, where it has been acknowledged private pension plans have a great deal of difficulty in servicing.

Hon. Mr. CROLL: Following what Mr. McNally said, I do not think it should just remain like that on the record—not that he misstated anything but that he did not say enough. The purpose of that meeting was in order to provide supervision for the plans which have gone unsupervised since 1949. Many of them—and I have not said this before the committee—unfortunately are not solvent, and that is what is troubling them more than anything else. When the federal Government withdrew from supervision, no one supervised them and they have done a lot of tricks, but that is no part of the issue. They have been called together—and Saskatchewan was the first to pass an act for disclosure. A couple of years ago Ontario followed and now they are joining to try and get some uniform disclosures act.

Mr. McNALLY: We welcome this development.

Hon. Mr. CROLL: So do we.

Mr. BASFORD: On a question of order, we still have the Winnipeg brief to deal with.

Hon. Mr. CROLL: I suggest that the further questions be brought forward

Mr. MONTEITH: In regard to the funds which are to be distributed to the provinces, I raised this question previously and have not got a satisfactory answer, to my mind. I can visualize some difficulty after these funds have been distributed to the provinces. These are reserve funds for use presumably if the pension fund requires additional money to pay it. What does the Chamber think the reaction might be in a province, if funds had been loaned to it and, for argument sake, if the federal people felt they were going to require additional funds to meet their benefit payments at some time in the future and were to call on the provinces to rebate their loans, to make good on them as at that point? Could the Chamber give any idea as to whether or not they could see difficulties arise if suddenly any one province were asked to make good or pay up on part of its commitment to the Government?

Dr. CRUICKSHANK: That was essentially the point we had in earmarking the funds.

Mr. McPHERSON: I can add very little to what honourable members know. If a province is going to borrow, it could hardly borrow on terms of a demand loan. It must have some indication of the maturity of this loan, because it might have to refinance this loan at a time when the market conditions were not propitious and it would be a most unstable position.

Mr. MONTEITH: If the province had borrowed considerably from the fund, when it borrowed to refinance, if called upon by the federal authority, it would then have to face the market place as it existed at that moment.

Mr. BASFORD: Having operated and lived for a great deal of time in Winnipeg, I feel some responsibility. I was going to suggest, if it is agreeable, that we go on with the brief of the Winnipeg Chamber of Commerce and that those on the list for asking questions of the Canadian Chamber be first on the list of the Winnipeg Chamber.

The CHAIRMAN (*Mr. Cameron*): I think we had better proceed. The questions and answers will then have been covered pretty extensively, and in this way it will take less time. So I will ask Mr. Lloyd to put his questions.

Mr. LLOYD: Dr. Cruickshank, I am reminded of the story of the town planner who suggested, when addressing a chamber of commerce meeting on the subject of urban renewal, there was so much to do that he felt like a flea in a nudist colony—he didn't know where to begin. I am not suffering from that predicament, and I will be restricted to a very short space of minutes.

I am trying to identify what you believe is an area of disagreement, which in fact may not be disagreement at all, but objective. I think perhaps Mr. McPherson might be the person I should more properly direct my questions to.

Mr. McPherson, the emphasis here, and with others who have been before us, has been to occupy our attention first with flat level old age security payments, and to stay away from a wage related pension plan. This has been the emphasis, but curiously enough we do not get from these people who advocate this, any precise indication of how much we should be involved in the welfare sector. I am certain, and I am sure you will agree with me, that if this should be very substantial you would be just as much against that as you are presently, apparently, against a wage related pension plan. I think you said that you certainly have to keep them in balance. Is that not so?

Mr. McPherson: In balance, yes.

Mr. Lloyd: So what you seek from this committee is assurances that we look at this objectively. Now, the reason you draw our attention to this fact is because you subscribe to the philosophy which I gather from reading comes from the economists, otherwise called the "prophets of possibilities". They never say anything too exact about what is going to happen. However, you indicate that there are three elements involved in growth, namely, consumption, net investment and government expenditures. When you say me must keep this in balance, because we must think in terms of economic growth, this is what you mean, is it not, that this committee when examining what it shall devote to pension planning by way of dollars derived from taxation that must be kept in balance with these other essential elements of growth in an economy. Do you say this?

Mr. McPherson: Yes, I have said that. I think we are talking of the same thing. I think if we are to have a maximum growth, we must have it balanced between consumption and investment, that, on the one hand, will provide a market, and on the other hand provide the capital to purchase the equipment.

Mr. Lloyd: We are concerned about the provincial holding of the funds, and if the provinces continue to hold the funds coming into their hands for capital construction to be provided to expand their services, it will not be so bad; but you are frightened that some new philosophy of finance will come about and that they will employ these funds for current purposes. You are giving us a warning, are you not, when you say this?

Mr. McPherson: I did not intend to warn this committee. My purpose was merely to let you look at this problem through our eyes. For instance, it might very well be that looking at it through the eyes of a province, a road in some particular area might be awfully important, but from a national viewpoint it might not.

Mr. Lloyd: On the other hand, emphasis on education is given throughout the report of the Economic Council of Canada, as well as on health. In this report, I notice in one section they emphasise education. In other words equipping our labour force and our earning people of the future for the tremendous and sometimes frightening technological changes that will hit us, and education requires facilities not only to house children but to train teachers, too. The provinces require capital funds for this purpose. So there is some ground in the argument of making it possible for provinces to do these things, provided it does not get out of balance—as long as you keep yourself on target.

Mr. McPherson: As a person who taught school in your native province, I would certainly agree with that.

Mr. Lloyd: On page 201 of the first annual review of the Economic Council —and, Dr. Cruickshank, you referred to stability in the labour force, and all of us agree we have a problem with portability—it is stated as follows:

> The prospects of economic growth will not automatically mean good news to all organizations, institutions and individuals. Progress produces casualties—

And then it goes on to enumerate the carriage makers, blacksmiths, manufacturers of steam locomotives, and the firemen on diesel engines. And it mentions the "displacement of existing machines by better machines."

The report goes on to say:

> Economic growth necessarily implies the expansion of some activities and the withering of others—

Hon. Mr. THORVALDSON: Mr. Chairman, on a point of order, is the gentleman making a statement, speech, or giving evidence; or is he proposing to answer questions, because I do not want to be sitting here if this continues, for a couple of days. Where are we getting?

Mr. LLOYD: Mr. Chairman, I object to this interruption.

Hon. Mr. THORVALDSON: Mr. Chairman, I raise this on a point of order. You are the Chairman, and I am wondering if it is appropriate to the work of the committee.

The CHAIRMAN (*Mr. Cameron*): Mr. Lloyd may be taking a sort of circuitous route to get to his point, but I have been very lenient. I wanted everything on the record and everybody's opinion. There has been some argument, and questions and preambles to questions. I think perhaps Mr. Lloyd understands that he should phrase his questions in as direct a method as possible. I appreciate what you are saying, senator, and I am also thinking that the Winnipef Chamber of Commerce will have a brief yet to be presented. However, I want everything on the record that the people want to put on the record.

Mr. LLOYD: I cannot miss the opportunity of saying, Mr. Chairman, that had the senator read this section in more detail he probably would have had more questions to put on the matter.

The report goes on to say:

> ...the development of new knowledge and better techniques and the obsolescence and upsetting of traditional and established know-how and methods.

And then we come to the frightening part:

> ...where there is little or no change there will be little or no growth. When sudden, severe and inequitable burdens—both economic and social—fall on individual workers and firms, and on particular communities, it is natural to expect strong pressures aimed at slowing down or even halting, the processes of change.

And the Lord knows the history of the *Hansard* of the House of Commons and every provincial government will illustrate this point too clearly. Finally:

> ...increasing attention has been given to an alternative approach to the problems created by rapid change—that of facilitating adjustment from declining to expanding activities, and of increasing the mobility and adaptability of resources in the interests of maximizing both their efficient use and their incomes. Such increased mobility of resources, especially of manpower resources, is needed not merely in terms of shifts from locations and sectors of declining activity to those of expanding activity, but even more, in terms of shifts between industries and occupations.

Now, Mr. McPherson, for the satisfaction of the senator who interjected, what are you saying to this committee that it should keep in mind, when you look to the future, that it should make sure to keep this balance between investment, consumption and government expenditures? If we are going to do this I suggest that what you are really saying is, "Be careful of what you put forward to the future is related to some reasonable degree of judgment as to the growth of the economy and where it might occur."

Mr. MCPHERSON: Yes. There is going to be obsolescence in skills, there is going to obsolence in equipment too. We need the capital to educate people, and to provide the equipment.

Mr. LLOYD: So if we were to require all employers—and there is some suggestion that there are 15 or more—to adopt fully funded pension plans, the immediate cost would be substantially more, would it not, on the present economy, although in the long run it may not be so?

Mr. MCPHERSON: Again, I am an economist, not an actuary. However, it would seem to me that these funds would be in the private sector; and then you might have the question put, "Are there too many of these funds in the private sector?" Again, I would have to come back and say, "Strike a balance." My point is that I am particularly impressed with the capital need of this country. This is the point I am making. We are not even self sufficient today. Our capital—

Mr. LLOYD: Well, Mr. McPherson—

Hon. Mr. THORVALDSON: Again, I must ask that the witness be allowed to finish his answer.

Mr. LLOYD: I thought he had finished, Mr. Chairman. The senator is slipping.

Finally, Mr. McPherson, it has been said by those in the municipal field advancing an argument for more investment in urban renewal, for example, that this amount of capital expenditure while we are trying to adjust our economy to new conditions, is a good thing for Canada, when you invest in school buildings, public buildings, essential roads to growth, we will say—this is pervasive to the whole Canadian economy, and you require less of imports to operate this kind of economic sector. Are they right in this observation?

Mr. MCPHERSON: I think if we have an educated, a highly trained staff, then certainly our foreign dependence is greater. But if we train a corps of highly educated people and we have not the equipment they go elsewhere, and, unfortunately, that has been our history.

Mr. LLOYD: If we look at the choice of expanding welfare on the flat payment plan as against the Canada Pension Plan, you ask us to make sure we do not put out of balance our future needs for investment?

Mr. MCPHERSON: Yes.

The CHAIRMAN (*Mr. Cameron*): Mr. Cashin?

Mr. CASHIN: I want to make one little observation at this point. I am quite encouraged by all this. We have had a great many briefs come before us pointing out various gaps, and we have not had too many help in showing us how to tackle these gaps, but I think we are getting great support—I interpret this all as great support for the great war on poverty, and we can prepare for an atmosphere where we can pull out all the stops, as we did in wartime, and wage a great war on poverty.

The CHAIRMAN (*Mr. Cameron*): Mr. Francis?

Mr. FRANCIS: After two and a half hours of questioning, I will not take any more of the time of the committee.

The CHAIRMAN (*Mr. Cameron*): Mr. Macaluso?

Mr. MACALUSO: I will pass, and become the first questioner on the Winnipeg Chamber of Commerce.

(Translation)

Mr. CÔTÉ (*Longueuil*): Mr. Chairman, I did not intend to ask any questions this afternoon but I notice that the Canadian Board of Trade Delegation includes a French-speaking member, namely, Mr. Mondoux. I would not like to miss this opportunity of showing that we have all the required facilities to speak in either one of our two official languages. I would also like to congratulate the Board of Trade for submitting a brief in French as well as one in English to this committee. It was very courteous of them to do so.

Mr. Mondoux, my question is not a very important one but I would like to know whether your association represents private employers and managers. That is more or less the group your association represents is it not?

Mr. LÉON MONDOUX (*Actuary, Member of the Welfare Committee, Canadian Chamber of Commerce*): I hardly think we can look upon ourselves as representatives of private individuals. We prefer to think of ourselves as representatives of the business world, both big and small business. In matters such as this we have to recognize that big business is better equipped in staff to collect files like these. I really think we can say that we represent the business world, both small and the big business. Does that answer you question?

Mr. CÔTÉ (*Longueuil*): Yes. Most members of your association are private managers of employers who are self-employed, are they not?

Mr. MONDOUX: That is right.

Mr. CÔTÉ (*Longueuil*): In your brief you seem mainly concerned with the fate of people who are not on the labour market at the present time or to whom this pension plan will not apply. Are you also concerned with the fate of the employees you are responsible for?

Mr. MONDOUX: I do not know to what extent employees of the members of the Canadian Board of Trade have pension funds. As a matter of fact, this brings us back to the matter dealt with a moment ago and there is a lack of statistics in this connection. But to return to the first point you brought up, we are mainly concerned about the people who are not included because they are a source of trouble for the business world. They are a headache for us because they do not have enough to live on properly at the present time. There are very few of us who do not know of people or do not have people close to us, whose income is inadequate. That is precisely our concern—measures are taken but they do not solve these problems which will continue to create pressure despite the actions certain people want to take for other social measures. A person in distress is surrounded by ten, fifteen or twenty people so that the forces that might cure the disease are five or a hundred times greater. I am sorry, I have strayed a little from the subject, but I think you have touched on one of the most important points.

Mr. CÔTÉ (*Longueuil*): Is the opinion you are submitting in your comments regarding the plan that of your employees? Do you think it represents the opinion of the employers and managers rather than that of the employees who will be personally involved in this plan? Do you, in fact, criticize the plan because it does not include a certain class of society which is not on the labour market or will never be included in the plan. You do not seem to be particularly concerned about the fact that you have employees and that the opinion of your employees should also be taken into account to some extent in this plan.

Mr. W. J. MCNALLY (*Secretary, Welfare Committee, Canadian Chamber of Commerce*): If I may add a word to Mr. Mondoux's comment, on page 32 of the French version, Appendix 3, you will find an extract from the statement of principle of the Canadian Board of Trade. The principle which was passed at our annual assembly is given and I quote:

> It is of the highest importance for the individual and for our economy as a whole that Canadians be assured of security when their working years are over. Every Canadian should be able to retire with the knowledge that his subsistance is assured.

That statement of principle was approved by all our members at our annual assembly.

Mr. CÔTÉ (*Longueuil*): Do you think the pension plan under consideration at the present time deviates from that principle?

Mr. McNally: I am not sure.

Mr. Côté (*Longueuil*): Thank you.

Mr. Gray: I shall put my first questions in French in the spirit of biculturalism. I shall put my questions in French and English.

Therefore, I would like to very briefly refer the delegates before us to page 9 of the economic report filed with this committee, if they have it with them. I was very struck by this table headed, "Government outlays on health and social welfare as a per cent of Gross National Product at market prices for the year 1957," and the country leading the list is Germany, with a government outlay of 16.1 per cent of the Gross National Product. This interested me, because I seem to recall that Germany was held out as a country which performed an economic miracle—I think that is the term usually applied with respect to its development after the war, based on principles of competitive free enterprise; and the present Chancellor when minister of finance, or whatever they call him, was held out as the fellow responsible for it.

I also seem to recall a lot of their economy is export based, and not only that but based on the export of industrial goods. Could you indicate how it was possible for Germany to spend this percentage and still not run into the problems and risks you have held out before us with respect to the outlays that are forecast for our Canada Pension Plan?

Mr. McPherson: I agree with you that Germany is an example for the world, and because it is I try to get there at least once a year.

I remember a visit I paid to a competing company. I was in a plant in which women were filling, under sterile conditions, pharmaceuticals as fast as I have seen similar bottles being filled with beer in a Molson plant. This was a terrific rate of speed under very exacting conditions. I asked the wages of these women, and they were 50 cents an hour. There were four people in there who were very productive, but their wages were only 90 cents an hour. If they are going to have wages like this, certainly industry can afford these so-called fringe benefits and still compete.

If you are going to look at these social security payments you have to look at them in terms of the Canadian wage rates as well. However, with these low wage rates they can afford to, and in fact they have to, spend these very high amounts for social security.

Mr. Gray: I understand their wage rates have had some increase in recent years.

Mr. McPherson: In September of 1963 I talked to the Federation of German Industry which told me that during 1964 they were going to keep wage increases in line with productivity, and when I was back early in 1964 that seemed to be the trend. They were keeping wage increases in line with productivity.

Mr. Gray: Your suggestion is that our own Canadian line of wage is not in rough balance with Canadian productivity?

Mr. McPherson: No, I had no intention of saying such a thing.

Mr. Gray: You agree that there is some encouragement in the fact that Germany based its increases on competitive productivity and was able to spend 16.1 per cent of its gross national income for social welfare and not only survice but thrive. There is some encouragement for us in that.

Mr. McPherson: The comparison is not realistic because their wage rate probably is a quarter to a third or a third to a half of what ours is. Certainly in the chemical industry it is not comparable because it is even less than that.

Mr. Little: In other words, sir, 16 per cent of that is the same as 4 per cent of $2.

Mr. GRAY: Sixteen per cent of the total gross national product? You are basing this on the total aggregate of the national income. We are not taking percentages of wage rates.

Mr. LITTLE: But 16 per cent of G.N.P. based on a much lower standard of living.

Mr. GRAY: Let us step down to Sweden, with 11.7 per cent; how do their wage rates compare with ours?

Mr. MCPHERSON: They are very substantially less, are they not?

Mr. GRAY: Are they? I was informed that their standard of living is really comparable to ours, and may even be higher in some regards, and I understand that their industry and economy is more export-based than our own.

Dr. CRUICKSHANK: Mr. McNally says that wages are very close in Sweden.

Mr. LITTLE: We cannot put an absolute figure on what is desirable and what is undesirable. We are suggesting that Canada is a growing country and requires as much capital as it can get. We ought to make sure that money put into this kind of scheme is very carefully drawn off.

Mr. GRAY: Could you estimate for us how much of the funds which will be coming from the private sector into the Canada Pension Plan would be funds that would have gone in any event for public investment—the only difference being that through the Canada Pension Plan they would be coming directly to the Government whereas if there had not been a Canada Pension Plan they would be passed through the financial market and the financial houses.

Mr. MCPHERSON: You are asking me that as a question?

Mr. GRAY: Yes.

Mr. MCPHERSON: I am sorry, but I did not mean to give you that impression. I think if it were not for the private pension plan then the market forces would have more of a decisive voice and these extra savings might go to the Government or might go to private industry. It would be the market forces that would be operative at the time.

Mr. GRAY: Would you not agree that in so far as the funds are the same they would have gone through the Government anyway, the only difference being that they would not have passed through the money market? That way the possible loss to private investments would not be as great as you might have felt it to be.

Mr. MCPHERSON: I think I made this point, sir, that it is impossible to determine at this time whether there is the ability to tap this increased borrowing on the part of the provinces, or whether they will use this either to increase their expenditures or merely as an alternative form of borrowing.

That is a question I don't know the answer to, but the possibility of having these extra funds available will result in greater expenditures and they will not have the disciplines of the marketplace to bear to the extent that they would have had otherwise.

Mr. GRAY: Could you give me a reason why the decision of the marketplace should be the determining factor on the fulfilling of social needs in the country?

Mr. MCPHERSON: I do think that industry makes certain decisions and I do think it quite right and proper that the Government and the agencies of the Government should have a voice. I think that is proper. I was merely suggesting the possibility that this accumulation of funds would so divert capital investments to this public sector that the disciplines and directives of the marketplace would not have a chance to operate.

In other words, I do suggest the possibility—and I am choosing my words very carefully—that the dice might be loaded with undue weight toward the public sector.

Mr. GRAY: In a phrase you used on page 11 of your brief you refer to "circumventing the guiding and controlling influence exercised by market forces of supply and demand, price and available capital, which is an important element in making the competitive enterprise system effective."

Now, perhaps you could tell me, assuming that we agree that this is the proper approach in so far as the private sector of the economic forces of supply and demand, profit and loss, and so on, are concerned, why decision as to filling social needs should be based on the very same factors that are used to make decisions, whether investments should be made for the purposes of making a profit, which is perfectly all right.

Mr. MCPHERSON: Perhaps we did not word our brief as carefully as we should. We were talking about this incremental payment of the provinces which might have been as a result of the scheme. I don't think anybody would debate right under today's conditions that social security measures, expenditures, capital expenditures, should be based on quite different criteria from certain expenditures in a private sector.

Mr. GRAY: You would agree that the question of making a profit, of taking in more than you pay out, is not necessarily a basic criterion for a program of Government social welfare?

Mr. MCPHERSON: I would agree.

Mr. GRAY: Just one final question. You made reference to the money market. How many people would you estimate form the money market from the point of view of making actual investment decisions with respect to bonds?

Mr. MCPHERSON: I think it is many.

Mr. GRAY: What proportion of this money market is made up through investments of major insurance companies and companies investing trust funds?

Mr. MCPHERSON: I have seen these figures, but they are not here and it has been so long since I have seen them that I would not like to give them to this committee because I might be quite wrong.

Dr. CRUICKSHANK: They are available, though.

Mr. GRAY: It occurred to me, when studying your brief, that a larger proportion of decisions are made by a small group of officers of life insurance companies and trust companies, and so on, who are not really elected or appointed by anybody.

Mr. MCPHERSON: But they do take into account the supply demand forces, and prices. They do take that into account and they are highly skilled in determining those forces.

Mr. GRAY: Supply demand forces which you and I agree should not be the criterion.

Mr. MCPHERSON: But that should be the criterion in determining private capital measures.

Mr. GRAY: Thank you very much.

The CHAIRMAN (*Mr. Cameron*): I think that concludes the questioning.

Mr. Monteith, Mr. Osborne has the answers to your questions and he has them written out.

Mr. MONTEITH: Just add them to the record and so long as I get the record in reasonable time that will be all right.

Mr. MUNRO: Do you need a motion for this?

The CHAIRMAN (*Mr. Cameron*): Mr. Osborne has suggested that he will have them typed and we will pass a motion that they be included as part of today's record and not tomorrow's. Is that agreed?

Mr. KNOWLES: Agreed.

The CHAIRMAN (*Mr. Cameron*): We wish to thank you, Dr. Cruickshank, and the members of the Chamber of Commerce, for your appearance here today, for your very complete and able brief, and for the very full and complete manner in which you have answered questions.

Thank you sincerely for coming. You have given us much information and a lot of things to think about.

Dr. CRUICKSHANK: Mr. Cameron, and honourable gentlemen, may I express our appreciation for the good questioning and kind attention. Thank you very much.

The CHAIRMAN (*Mr. Cameron*): We shall proceed now to hear Mr. Hunter, on behalf of the Winnipeg Chamber of Commerce.

Mr. G. R. HUNTER (*Representing the Winnipeg Chamber of Commerce*): Mr. Chairman and Members of the Committee, I am appearing on behalf of the Winnipeg Chamber of Commerce. Unfortunately our president, Mr. Edson Boyd, and the chairman of our special committee in charge of preparing this submission, Mr. Ellis, are unable to be present before the committee this week because of other commitments. Therefore, I am appearing to submit this submission and the representations to the members of this committee on behalf of the Winnipeg Chamber of Commerce.

Unfortunately, I am not fully informed about these matters, and neither Am I in the position of being an expert on any of the statements in this submission. I should like to express to the members of this committee the regrets of our president as well as those of the chairman of our special committee at their inability to be here today.

Copies of the submission have been placed in the hands of the committee, and I wish at this time to formally tender it for filing and, as I think the chairman mentioned earlier, it will be included in the record.

The CHAIRMAN (*Mr. Cameron*): That is correct.

Mr. HUNTER: You have heard the representations made by the Canadian Chamber of Commerce. The Winnipeg Chamber of Commerce endorses the submission of the Canadian Chamber of Commerce. I believe the points made by the Winnipeg Chamber of Commerce are, by and large, covered by the representations and submissions made in the brief of the Canadian Chamber of Commerce, and we support the answers given by those appearing on behalf of the Canadian Chamber.

As I said earlier, I do not purport to be well versed in this field. I am, therefore, authorized on behalf of the Winnipeg Chamber to support the position of the Canadian Chamber, and also to support the position taken by the representatives of the Canadian Chamber in regard to the questions put to them today.

I have nothing further to add, Mr. Chairman.

The CHAIRMAN (*Mr. Cameron*): Thank you, Mr. Hunter, Mr. Macaluso?

Mr. MACALUSO: At page 2 of your brief, Mr. Hunter, in paragraph one, you state:

> Most private pension plans invest their funds in corporate and Government securities and mortgages in agreed-upon ratios.

And further down you state:

> Private plans will still invest their funds in agreed-upon ratios but at reduced levels. This will mean pension funds will be investing less in corporate securities with the result that industry will turn more to foreign capital for its requirements.

Does the Winnipeg Chamber have any statistics as to the amount of funds that private pension funds invest in Government securities and mortgages?

Mr. HUNTER: It should be explained here—I asked the same question as to who agreed to the ratios, and I was given to understand that in each company, be it an insurance company or an investment company, the investing officers over a period of time agree, in each company, upon their own ratio of investment. Therefore, to the extent that the moneys coming into their hands through private pension funds are decreased, it is *ipso facto* the amount of money they have to put into Government securities.

Mr. MACALUSO: Has the Winnipeg Chamber any statistics, or are any statistics available, to support its contention as to how much of the funds from private plans went into the type of investments set out here, and how much less will be invested?

Mr. HUNTER: No, I do not believe they have statistical material on that.

Mr. MACALUSO: In paragraph 2 on page 2 you state:

> However, under the proposed plan a levy of 3.6 per cent on payroll will in fact increase taxes which will place Canada in a less competitive position in world markets.

Does the Chamber have any statistics to support the contention, and to help this committee decide on what increase in taxes there would be, and how it would affect the competitive position of exporters in Canada?

Mr. HUNTER: I think probably this last wording which is to the effect that it will increase taxes is too strong, but certainly it amounts to a compulsory contribution.

Mr. MACALUSO: Please do not misunderstand me. I am looking for help on this for myself only. If the Chamber has any statistics I would certainly like to know what they are—that is, statistics on which they base the statements in their brief. Now, in paragraph 3 on page 2, which goes over to page 3—

Mr. CANTELON: Supplemental to that, Mr. Chairman, may I interject a question? Does the witness mean this would reduce the quantity of money available for spending by private persons and, therefore, cause a diminution of industry in the country?

Mr. HUNTER: Yes. We look upon this as a compulsory contribution and therefore, equivalent to taxation.

Mr. MACALUSO: But on that you are not agreeing with Mr. Cantelon's statement. Would you repeat that, Mr. Cantelon? It is the consumer's money that is being spent.

Mr. CANTELON: That is right. Since this money will be taken from the hands of the consumers it obviously means there will be less money for them to spend.

Mr. MACALUSO: I think the Chamber is relating here to Canadian industry and its capital production investment, but I want to know if the Chamber has made any statistical study of this.

Mr. HUNTER: No, we did not, but we did feel it was an increase in the cost of production.

Mr. MACALUSO: You are assuming it is.

Mr. HUNTER: Well, it cannot come from nowhere.

Hon. Mr. THORVALDSON: It is an obvious fact.

Mr. MACALUSO: I do not need a voluntary submission from the senator.

Mr. BASFORD: The honourable senator is pinch-hitting for McCutcheon who is trying to hold his party together.

Mr. MACALUSO: At the bottom of page 2, Mr. Hunter, you state:

> The channeling of contributions into the hands of the provicial governments by way of loans is in avoidance of the constitutional responsibility to provide means for the provincial governments to meet their needs from their own resources of credit and taxation.

Mr. HUNTER: I think this is poor wording. I quite agree. I think what is intended is the traditional responsibility that the provinces finance their own activities.

Mr. MACALUSO: Do you not agree, Mr. Hunter—and this has nothing to do with the Canada Pension Plan—that in the field of pensions the provinces have the primary jurisdiction, and if they want to have their own plan—that is, Quebec, Ontario or Saskatchewan—and to have it funded then it is their primary responsibility, and they can do it if they want to?

Mr. HUNTER: That is right.

Mr. MACALUSO: So the federal government is not avoiding any constitutional responsibility at all.

Mr. HUNTER: I think what we are suggesting here is that traditionally the provinces are required to raise their funds under their own powers under the B.N.A. Act. Here is a method of borrowing through which we think there is an avoidance of the traditional responsibility of a provincial government to raise its money internally.

Mr. MACALUSO: Do not the provinces have this right to do so anyway—to have a funded pension plan if they want one, and to initiate it themselves?

Mr. HUNTER: Yes, that is right, but they have not done so.

Mr. MACALUSO: But by agreement at a federal-provincial conference two of them indicated they did want it.

Mr. HUNTER: If this was an agreed-upon plan between the federal Government and the provinces we would have no fault to find with it at all.

Mr. MACALUSO: In paragraph 4 you state:

> The making of these loans will temporarily insulate the provinces from the judgment of the market and of the taxpayer and encourages provinces to embark on uneconomic projects.

Does the Winnipeg Chamber actually believe that the provincial Government would use these moneys on uneconomic projects, Mr. Hunter?

Mr. HUNTER: I do not believe that we feel our provincial Government today would, no, but, on the other hand, we say exactly what Dr. McIntosh said earlier, that we believe the discipline of the market is a good thing, and if 20 years from now when a province has to raise money for a certain purpose, and if they go out on the open market for it then the market will look at the purpose for which the money is being raised, but if there is a secret storehouse for which they do not have to account we believe there would be risks involved.

Mr. MACALUSO: You are speaking of Manitoba?

Mr. HUNTER: Yes.

Mr. MACALUSO: Does the Chamber believe that any of the provincial governments of today would embark on any uneconomic project?

Mr. HUNTER: I would not hazard a comment on that question.

Mr. MACALUSO: Then, this is pretty redundant, is it not? At page 6, in paragraph 3(c), the brief states:

> An economic recession would imperil the plans, which presupposes constant growth and expansion in the economy.

Does the Chamber believe there is no reasonable danger in the future of an economic recession in Canada?

Mr. HUNTER: No.

Mr. MACALUSO: I assume that the chamber is conscious of the strength of Canada and of its continued growth.

Mr. HUNTER: I think the minister stated before this committee that the plan was based on a premise that there would be a constant increase in population, that there would be an increase in productivity and that there would be gradual inflation. That is fine, but if those premises do not work out, an economic recession might jeopardize the plan. We do not see that in the immediate future.

Hon. Mr. CROLL: She did not use the word "inflation". You said a "gradual inflation". The minister did not use that word.

Mr. HUNTER: I think she said there would be a gradual increase.

Hon. Mr. CROLL: An increase in the economy, but not "inflation,"—not that word.

Mr. MACALUSO: If the chamber is confident that the economic growth will continue, this presupposes the constant growth and expansion of the economy. In that case do you feel that in Canada we cannot afford to finance more social security in the way of this Canada Pension Plan?

Mr. HUNTER: The Winnipeg Chamber is not saying you should not have a plan. We take the same attitude as the Canadian Chamber of Commerce, we recognize the necessity for this and for assistance in other lines of social welfare, including education and health. We say that rather than shotgun one plan through, please satisfy yourselves as to the priorities and how far and how fast you are going to go.

Mr. MACALUSO: You have led yourself into my next question—the importance of establishing priorities. At page 6 you quote the Premier of Manitoba as stating:

> The Premier of Manitoba has stated that amounts expended for better education, medical care, and pensions should be determined on a basis of priority. The Chamber agrees with this principle.

He then goes on:

> In addition, better medical care will eventually have to be made available to everyone. The priorities must therefore be considered very carefully when it is realized better education, medical care and pensions can all be obtained with the yield of the proposed plan, provided there is no funding. We emphasize again the importance of establishing priorities and urge that no action in the field of pensions be taken until this has been done.

I find the statement of the Chamber to be contradictory. You say that providing there is no funding there is enough yield, that we can deal with problems of education, medical care, and pensions now. If I am wrong in that, please correct me.

Mr. HUNTER: I understand your confusion. I was confused also but I asked the authors what was intended. They say the amount of money that is proposed to be raised under the plan as presently constituted gives X dollars. This is for funding. If that sum of money were made available, it could do something better in all three fields, not in the pension field alone. It would be X dollars to be spent on these three items. All they are really saying is "We believe in establishing priorities, then find out how much we can tax the people of Canada." I agree that it is confusing and misleading.

Mr. MACALUSO: I am glad that you agree with me because the way it reads you are saying, "We can grant now more for education and go into a medical care scheme and pensions all at the same time."

Mr. HUNTER: No. I said that if you did not fund the plan there would be X dollars available for these other things.

Mr. MACALUSO: That is exactly what I am saying.

Hon. Mr. THORVALDSON: Don't keep reading things into your remarks.

Mr. MACALUSO: If I am out of order, the Chair can tell me so. I don't need Senator Thorvaldson to tell me.

Hon. Mr. THORVALDSON: You certainly do. If you misstate the witness, you are going to hear from me.

Mr. MACALUSO: Mr. Chairman, I will listen to your ruling and not to Senator Thorvaldson. I put it to the witness and it is on the record. If Senator Thorvaldson does not like the answer that is his tough luck.

Hon. Mr. CROLL: What the witness said was that it may be possible to make a start on some of these things. Let's take it easy on the witness.

Mr. MACALUSO: I am not arguing with the witness. I am very happy he is forthright.

Hon. Mr. CROLL: Let's continue.

Mr. MACALUSO: I have a last question. On page 5, at the bottom you are dealing with the problem of integrating private plans with this proposed plan. It is stated there that the problems are almost insuperable. Can you tell me what problems the Winnipeg Chamber sees and where are these problems of integration?

Mr. HUNTER: All I can say in answer is that numerous members of the Chamber who are employers, who represent national firms carrying on business in several provinces, perhaps nine or ten provinces, have an existing private pension plan, and being faced with this particular plan, which is a compulsory one, will have to tailor their existing plans. At the same time, Ontario has a pension plan—

Mr. MACALUSO: Not yet.

Mr. HUNTER: —the result of which amendments have to be made now to existing plans to conform with Ontario law. The question is, in amending these plans, do they amend them only for people in Ontario? If someone from Alberta moves to Ontario two years from now, what will be his status under the plan? This is a very serious matter for employers today. I have read in the *Minutes of Proceedings*, that Mr. Hart Clark says there is no problem in integrating the Federal Civil Service plan with this Canada Pension Plan. However, the people familiar with private plans—I have done a little work myself on this—find it is a very difficult job and will get worse if more provinces come in with their own plans.

Mr. MACALUSO: Is it your opinion, and that of the Chamber, that the problem would be less complex if there were one national plan across the country rather than several provinces having their own plans?

Mr. HUNTER: Any integration will be difficult. The private plan integrating with the present plan, with this indexing method, will make it quite difficult, according to what those who know have told me, and I know something about that part of it.

Hon. Mr. CROLL: I object to the wording "insuperable". I do not think anything would be insuperable to you.

Mr. FRANCIS: On page 3, paragraph 5, with reference to the funds loaned to the provinces, which "will remain as permanent loans," I would like to know why the Chamber feels that loans of this nature would be permanent. You say "the obligation of the provincial governments to repay will be almost academic." This is contrary to my understanding. As I understand it, the procedure would be to invest in securities which are standing issues by agreement with the provincial authorities which designate the class of securities within their province. I see no impediment to those securities. Why would the Chamber take the point of view that this would be a permanent loan?

Mr. HUNTER: If these moneys from the fund are made available to the provinces, the federal Government will take security for it. The interest will have to be paid. When it comes to refunding and paying it off, the provinces will have to go into the market and raise the money or get it from some other source. It may well be that, instead of going into the market, they will just refund to the federal Government. This is a fear. There is nothing to base it on, other than worry.

Mr. FRANCIS: There is a point here and it is the first time I have seen it in a brief, and at this stage there is not very much new in the briefs. Therefore, if the Chamber has anything further to add concerning the rules for investment of the funds or concerning the procedures under which the fund should operate, we would like you to bring it to our attention. The committee would be particularly pleased to receive some guidance. I felt I could not let this remark go without further comment.

Mr. HUNTER: It is a fear we have. We say "To the extent that the funds loaned to the provinces will remain as permanent loans." This is all we are concerned about. At some point they have to be refunded and probably be refinanced.

Mr. FRANCIS: There are repeated references in the brief to the adequacy of pensions. On page 5 you say:

> The proposed benefit formulae will in the future pay less than adequate benefits to many persons whose income is stopped or reduced due to retirement, disability or widowhood after the terms of the plan are fully effective.

And on page 10 you say:

> ...we believe that pensions paid out of public funds should be related to social adequacy rather than being income related.

I put the question to the Chamber, as I did to many other groups who have made this point—what are the guidelines to adequacy? Can you give this committee some guidance as to what the Chamber would consider to be adequate pensions or what principles we could adopt in deciding or what are adequate pensions?

Mr. HUNTER: What we have suggested there is that the principle should be "pay as you go" rather than as a funding, that it should have regard to the needy and not necessarily to the greedy. That is, we recognize that there are many people in Canada who will not be in a position to provide for their old age, notwithstanding the present old age assistance. There is a gap in

there. Certainly, we recognize there are groups of our people that are under this assistance, but if someone is earning over $5,000 and then comes in and is already at age 70, I think the pension in that case is $254. If that man has a wife, well, if he is earning over the amount at that point, he has an opportunity of creating his own savings; so it is our view that it is for the people who have not an opportunity to earn or save to any extent, and for those people we say it is fine.

Mr. FRANCIS: How do you determine need? You have referred to people who earn in excess of $5,000. Are you relating it to a test of income?

Mr. HUNTER: No. I think that your old age assistance is income, and the amount of the old age assistance has moved up as it was felt necessary to move it up, but it can be taxed off, so that while exerybody gets it the person who does not need it is cut off, anyway. This was the same with children's allowances. People said it was wonderful because it cuts down administration and goes across the board, with no means test. The old age assistance is the same way. We say, fine, have it universally.

Mr. FRANCIS: But old age assistance is provided with a means test at ages 65 to 69.

Mr. HUNTER: I am speaking of the $75 at age 70. That to me makes a lot of sense, because although I am not suggesting, nor am I in a position to suggest, that it is adequate. If it is not then we suggest that this bill should complete the adequacy by supplementing the old age pension.

Mr. FRANCIS: Anyway, that is the argument.

The CHAIRMAN (*Mr. Cameron*): Mr. Knowles.

Mr. KNOWLES: Mr. Chairman, any delegation from Winnipeg should get full consideration. However, I think that perhaps at this time of the day the kind of consideration Mr. Hunter would like is brevity.

Mr. MUNRO: I wonder if the chamber supports Mr. Knowles of Winnipeg.

Mr. HUNTER: The chamber does not have a vote.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, I have barely a quorum, if anybody is thinking of leaving.

Mr. KNOWLES: Mr. Hunter, as you pointed out in your brief from the Winnipeg chamber, it is somewhat parallel to the brief presented by the Canadian Chamber of Commerce, and that is my observation as well. There are one or two differences, perhaps they are very slight, or perhaps I am hoping there are one or two differences. The Canadian Chamber of Commerce expresses dissatisfaction with the Canada Pension Plan because it does not provide anything for those who are now 70 years of age or over, but I had difficulty getting from them what they would do for people of 70 or over. The Winnipeg chamber's brief also expresses dissatisfaction with Bill C-136, that it does not provide anything for those in greatest need, including the aged. However, on page 9 your first recommendation reads:

> 1. Increasing the benefits paid under the present old age security program.

If I may say so, that seems a little more precise and to the point than the sentence in the Canadian chamber's brief about modifying and reforming the act. Does the Winnipeg chamber stand behind this proposition that benefits under the old age security program should be increased?

Mr. HUNTER: That is what we have said. Old age security is a type of pension. These are all security measures, whether old age security, or a pension under Bill C-136, and we are suggesting that any pension really should be built on the old age security.

Mr. KNOWLES: Would you care to say to what extent you think the $75 now paid under old age security should be increased?

Mr. HUNTER: No, I am not in a position, unfortunately.

Mr. KNOWLES: One other question, admittedly in the field Mr. Macaluso was in, but the question will be brief. On page 7 you have a reference to education and medical care as having priority along with pensions. Then on page 10 you say, in the brief of the Winnipeg chamber:

> Too much spent on pensions, for example, must minimize the urgent advances required in education and health.

I am not trying to twist you into saying, as was tried earlier, that the amount of money being spent under the Canada Pension Plan is now too little or too much; but is it fair to assume from your several references to medical care that the Winnipeg chamber does support some kind of a government medical care program?

Mr. HUNTER: We feel that in the field of education and medical care and pensions, these are very important to all Canadians, and important to all levels of government and that there should be a planning and an apportionment, an establishment of priorities. With that, of course, goes how much is it going to cost, and how far and how fast can we go into this field. I think, having done that, as long as it is a well-planned matter, I do not think the Winnipeg chamber is saying that the government should not be in the field of medical care if it is established they should be; if private enterprise is leaving gaps, then those gaps should be filled. However, all we are suggesting here, as the premier said, and as other responsible people have said, as we have got these requirements, let us add them up and put priorities on them, and see what it is going to cost.

Mr. KNOWLES: To put it in your own words, then, provided proper priorities are considered, provided the cost is considered, the chamber is not against government programs in the field of medical care?

Mr. HUNTER: And provided its programs are integrated and co-ordinated and worked out with the provinces. I mean, that is the only way you can work properly, by integration and co-ordination.

Mr. KNOWLES: And in that, we have the Winnipeg chamber as well as the Canadian Chamber of Commerce.

The CHAIRMAN (*Mr. Cameron*): Have you finished Mr. Knowles?

Mr. KNOWLES: Yes, for now.

Mr. CÔTÉ (*Longueuil*): I have one question. Could you tell me if Mr. Kilgour is a member of your chamber of commerce?

Mr. HUNTER: His company is.

Mr. CÔTÉ (*Longueuil*): But not Mr. Kilgour?

Mr. HUNTER: I don't believe he is, I am not sure. Some of his employees are, but I don't think he himself is.

Hon. Mr. THORVALDSON: The Winnipeg Chamber of Commerce has mainly corporate members, like The Great-West Life Insurance is a corporate member, and probably several members of that company are allotted as members.

Mr. HUNTER: That is right, depending on the number of employees in the company. The company pays a membership fee, and they are allotted six or eight, whatever it is.

Mr. LLOYD: That is throughout Canada?

Mr. HUNTER: I believe throughout Canada.

Mr. BASFORD: Why is it that the Winnipeg Chamber of Commerce has presented a brief, while as far as I know no requests from other individual chambers or from boards of trade have been made?

The CHAIRMAN (*Mr. Cameron*): We had a request from the Sudbury Chamber of Commerce.

The meeting will adjourn. We wish to thank you gentlemen, and through you the Winnipeg Chamber of Commerce, for your brief and your presentation today. We regret, as you do, that Mr. Edson Boyd, President of the Winnipeg Chamber of Commerce, and also Mr. J. T. Ellis, Chairman of the Public Finance and Taxation Committee of your Chamber, were not able to be present, but we feel that you have been very able substitutes, and we wish to thank you most sincerely.

EVENING SITTING

TUESDAY, January 19, 1965.

The CHAIRMAN (*Mr. Cameron*): Ladies and gentlemen, we have a quorum. I was waiting for a little while as I would like to see Mr. Monteith and Mr. Knowles here before we start. I guess they will be here very shortly. I believe Mr. Munro wants to say something to the committee before we start.

Mr. MUNRO: Mr. Chairman, in welcoming Mr. Kilgour back with us I thought it would be appropriate to refer to the last time that he was before us along with the Canadian Life Officers Association. He did not come back in the afternoon, but an apology was advanced at that time to the Canadian Life Officers Association—and to Mr. Kilgour, had he been present. If he felt there was any discourtesy shown to him it certainly was not intended, and we hope that he was not offended in any way. If the questions did sound belligerent at times we did not mean them to be. We just got rather absorbed in the whole question of pensions. So I hope Mr. Kilgour is not offended in any way, and it is very nice to have you back.

The CHAIRMAN (*Mr. Cameron*): I am sure that he is not, coming from the west, where they are used to robust living and where clean, hard fighting is considered quite in order. It may have been certain remarks were made which, on reflection, the person who made them would have wished that he had not made, but I think that Mr. Kilgour understands perfectly well that no discourtesy was intended and, certainly, as chairman tonight I know you will be asking pointed questions and I expect Mr. Kilgour will be giving pointed answers. We understand that. Without any further remarks, Mr. Kilgour, the meeting is now yours to address.

Mr. D. E. KILGOUR (*President, The Great-West Life Assurance Company*): Mr. Chairman, ladies and gentlemen, may I thank you for this opportunity to appear here tonight? May I also acknowledge Mr. Munro's remarks and assure you that I accept them, and that I had no possible misgivings about there being a genuine desire on everybody's part to contribute to our understanding of the problem. I am very grateful for your remarks.

As I understand the process here, you do not wish submissions read in any detail, and I have tried very briefly to summarize the gist of my submission.

First, may I remind the committee that this brief is submitted on my own behalf, as an individual. It has no connection with any company or association, and I am appearing on behalf of myself. Secondly, I have tried to confine my discussion to what the Canada Pension Plan does or does not do for

Canadians as individuals. I am staying completely clear of the economic or many other parts of the plan. My initial approach is to restate the principle which was stated to Parliament as the objective of the bill. I will not repeat this again, but you will observe this on page 2 of my submission, concluding with the words: "It will benefit virtually everyone."

Then that broad sweep, that it "will establish a basic level of security for all Canadians whatever their individual circumstances, whatever moves they make, and whatever economic changes occur." Then I make the statement that, "Unfortunately, the more the plan is studied, the more clearly does it fail to achieve its stated objective."

I regret that criticism of the Canada Pension Plan may be construed by some as saying that those who worked so laboriously to produce this bill are either inept or thoughtless of its shortcomings. I do not mean that in any sense, and I hope criticism of this plan is not in any way directed to its authors. I have the greatest respect for those who produced this bill, embodying as it does such diverse principles. A wage-related plan merged with a plan primarily designed to create a fund, complicated by indexing, constitutes almost impossible terms of reference for its authors, in my opinion, and it is throughout the basic principles which need re-examination, not the architecture. So, if I can release the architects of responsibility, I say it is the principles which need re-examination.

Then I go on, in turn, to examine the treatment of the present aged which, I suggest, is not good, pension benefits as they apply to different segments of the population, disability benefits, death benefits—and in all of these I suggest the character of the benefits does not fit the facts of Canadian life. Then I have a section on its application to the women of Canada, with the particular view that married women fare extraordinarily unfortunately. Then I suggest—and I use some figures to attempt to illustrate it—that perhaps one-quarter to one-third of the population cannot come under the plan by our present collection machinery.

Then I have an observation on the philosophy of this plan as distinct from the Old Age Security plan. Then I have some very brief recommendations, and finally I express the view which I can assure you is a sincere one, that:

> The Canada Pension Plan can be deemed to have served a very valuable purpose in having focused critical public examination on our social welfare problems and by its specific trial solutions pointed the ways to better ones.

This, Mr. Chairman, is the burden of my submission, and I would be delighted to try to answer any questions on any part of it or on anything else constructive which I can contribute to the committee.

The CHAIRMAN (*Mr. Cameron*): Now we are open for questions. Mr. Cantelon is the first one.

Mr. CANTELON: I am flattered at being the first to ask questions this evening, Mr. Chairman.

Mr. Kilgour, I am very much intrigued by your comment on page 3, in which you say that this act has shortcomings and that it creates social inequity by act of Parliament. You consider this inequity would be completely contrary to our national interest and incompatible with the ideals and concepts of social justice which should guide social legislation. I would be very interested in having you elaborate on this.

Mr. KILGOUR: Mr. Chairman, in response to that question, I have tried in part to state that in the part of the submission leading up to that, but, in

fact, this is going to create such division between those people that get benefits and those people who do not that there will be an ever-widening breach between the "haves" and the "have-nots". This is not done by any careful appraisal of the individual involved or his circumstances. Rather it is done by saying, "You qualify. You are in the top one-third of the national economy, so you get big benefits. You are in the bottom one-third and didn't contribute, so you get nothing." That is, in effect, a direction by Parliament of where tax revenues will be re-allocated. I think I substantiated under pensions disability and death benefits. In other instances there are very harsh examples of how you get it or you do not, by act of Parliament. That is quite different than sort of "rub of the green", "that is tough luck". This is what Parliament says you get or do not get.

Mr. CANTELON: We have had a great deal of discussion and have had the matter of windfalls you mentioned raised by many others on many occasions. I wonder if you would care to say what you mean by that term, because you used it on page 5, the last of the first paragraph there, and how, in your opinion, does Bill C-136 create these windfalls?

Mr. KILGOUR: Mr. Chairman, these terms "windfall" or "bonus" or "unearned increment" I use, and I think they are generally used, to refer to those benefits which accrue to an individual that have no true relationship to his contribution to the plan. We have seen the illustrations of people over $5,000 a year in the fifties, or under 60, who can get a bonus of more than $10,000 or up to $12,000 per individual more than they contribute. The same thing is true of the death benefits, that one can get death benefits that, in comparison to others, are quite disproportionate. The same thing would be true in the case of disability benefits. A wage-related plan starting off with short maturity such as this creates very large bonuses for individuals—unfortunately, the largest in the well-to-do group.

Mr. CANTELON: Isn't this true of a private pension plan too which is earnings-related?

Mr. KILGOUR: Mr. Chairman, I would answer that by saying no. The private pension plan is an approach by an employer as a liability. He has had some people working for him for 20 or 30 years and he has pocketed the profits, accrued them in surplus, but without providing for their pension liabilities. He decides that he had better change this and so he sits down and as carefully as he can he estimates his liability to each individual person in terms of that person's service and the salary that has been paid over that period of service. Usually, strict equity is a guide in such an appraisal.

Then he adds up this liability, and, if he can afford it, he takes it on. This is a discharge of an incurred liability in his judgment that he is making on a total equitable basis as among his employees, and perhaps he pays for it over 10 or 20 years. However, there is none of the arbitrary quality where "I give so-and-so this present and I give so-and-so nothing," because of some vagary of fortune.

The employers almost invariably, in setting up pension plans, try to treat their group with strict equity, and, if they can afford the bill, they adopt the measure within their pocketbooks, treating all people on strict equity in relation to the plan.

Mr. CANTELON: I gather then that you do not think this bill treats everybody in this plan with strict equity.

Mr. KILGOUR: On the contrary. Many people get very large benefits because they are substantial earners, and some people get absolutely nothing, not because they don't earn anything but because they do not earn enough or don't qualify under the plan. So I think the non-equity business is pretty clearly evident, in my judgment.

Mr. CANTELON: Under the disability section, beginning on page 6, and right at the beginning of that section, I am very intrigued by the fact that you state that "benefits pursuant to such a complex formula as that contained in the bill will produce results which are so inequitable as to defy explanation."

This refers to disability, and I was under the impression that the terms of the bill were good as to disability. If I am wrong please correct me.

Mr. KILGOUR: Well, it is very difficult to understand the disability plan that is not precise. I start off with the fact that nobody who is disabled in 1965, 1966, 1967, 1968 or 1969 gets anything. I don't know how you will explain to a group of people—"You just got disabled a little too soon. We did not quite count you in."

All disability plans to my knowledge, and we sell many of them, cover employees as of a certain day, and if a fellow is disabled tomorrow you pay him. You don't just say, "If you wait five years we will pay."

The essence of a benefit is that it gives some feeling of security, and it is too bad if my heart attack takes place two years from now rather than five years because five years from now I am home free whereas in two years I am one of the outs.

Similarly, people are in and out of the work force and will have to have almost an actuary beside their elbows to know if they are covered and by how much when disability occurs.

The fact is that you have got a formula which is quite complicated, and I don't undertake to remember it off by heart, but in effect you have to have contributed five out of the last 10 years and to have given one-third of the time back, and you may have worked 10 years and got married and then gone back on the work force, and are you covered or not? I don't know.

This, I suggest, takes extraordinary calculation. I hold the view that benefits that are designed for welfare should be utterly explicit. If you are a widow with children you get so many dollars from the moment of the legislation, or it can even be retroactive, if you are disabled and it is proven that you get certain disability benefits. But it is a very complex bill to go through and try to discover whether you are covered, and by how much.

Mr. CANTELON: Then, first of all, you are disturbed by the fact that it is complex.

Mr. KILGOUR: And by the fact that it does not look after the bottom third of the population.

Mr. CANTELON: I have another question I wish to ask. Further on, on page 11, you are discussing the way that women are treated by the benefits that are brought in, and right at the bottom of the page you mention that "The real impact of the Canada Pension Plan on married women will flow from their husbands' financial success." This is inherent in the plan, and you go on to give an illustration here that shows that the wife may gain no benefits at all from the plan.

I wonder if you would care to enlarge on that.

Mr. KILGOUR: Yes. I think this is inherent in the plan. A wife earns nothing by herself. She may be the most valuable member of the married team, but because she does not have an income tax to report she gets no benefit, contrary to old age security in which a wife achieving the age of 70 gets $75 a month as a person.

However, this plan says that if you have not worked under the Canada Pension Plan you get nothing, and I use the illustration of the working couple in which both parties work and get much higher benefits than the couple where the husband works and earns a gross income as much as the other two together but his wife has stayed at home with the family. She suffers both in the retirement of the husband and in the event of his death. She gets less than if she

had worked in the labour force. This puts a great premium on every woman who will have been in the labour force in the next decade, and particularly in her later years.

Unless a wife's husband dies before her, or unless she was a good earner, she can say that the Canada Pension Plan is pretty thin doings and does not do much for her. And I think this is an accurate appraisal, and that staying home and bringing up the family ranks rather low in the benefits from the Canada Pension Plan.

Mr. CANTELON: Well, it would encourage the husband to put his wife out to work.

Mr. KILGOUR: I don't think you have to encourage him.

Mr. CANTELON: Well, I think I have taken enough of your time, sir.

The CHAIRMAN: Mr. Basford.

Mr. BASFORD: I did not realize I was so high on the list. As a fellow Winnipeger I wish to welcome you to the committee, Mr. Kilgour.

Mr. MONTEITH: Don't let them hear that out in Vancouver.

Mr. BASFORD: Winnipegers are always welcome in Vancouver. I have one question involving me as a Member of Parliament. You come before us, sir, and I appreciate your interest and sincerity in coming before us as the president of a large insurance company, one which, according to your last annual report, is eminent in the field of pension group annuities and group pensions, and you come before us and criticize this bill as a sort of defender of the little people of Canada.

However, also before the committee have come the Canadian Welfare Council, which has told us in substance to pass the legislation, the Canadian Federation of Agriculture, which again has told us to pass the legislation, and I understand the Canadian Labour of Congress will tell us to pass the legislation. I also have done some research in my own area and have raised a little storm of my own in Vancouver.

Hon. Mr. THORVALDSON: Are you referring to the recent snowstorms? They were dandies.

Mr. BASFORD: They were most unusual. So were my own.

Mr. PRITTIE: I didn't know you had raised any storms.

Mr. BASFORD: I have correspondence; for example, correspondence from various employee groups, the office workers, civic employees, who are the ditch diggers, sewer diggers—the little people—and I think upholsterers, carpenters, plumbers, taxicab drivers, woodworkers, sheet metal workers, boilermakers, and—

Hon. Mr. THORVALDSON: Mr. Chairman, on a point of order; I want to suggest that this type of question is wholly inappropriate and improper in this committee. For instance, a moment ago, if I may say so, the honourable gentleman suggested that Mr. Kilgour being the president of a life insurance company, should not come here as the protector of the little people of Canada. There is an innuendo there that is wholly inappropriate.

The CHAIRMAN (*Mr. Cameron*): Yes, I noticed it, and I think a better word could have been used.

Hon. Mr. THORVALDSON: Motives should not be imputed, and I think it is wholly improper. I think questions can be put without these long statements, preambles and irrelevancies that have nothing to do with the case. Mr. Chairman, I appeal to you.

Mr. BASFORD: Mr. Chairman, on the point of order raised by Senator Thorvaldson, may I say I imputed not motives. I recognize Mr. Kilgour's sincerity in coming here, and I am surprised that Senator Thorvaldson, whom I

am told is the representative in the Senate of the financial interests of Canada, being so terribly sensitive about the point.

Mr. KILGOUR: While acknowledging Senator Thorvaldson's defensive measures, may I say that I am quite capable of handling Mr. Basford's question.

Hon. Mr. THORVALDSON: You should see my bank book.

The CHAIRMAN (*Mr. Cameron*): I think you could have said that Mr. Kilgour is the advocate of one-third of the population which is not receiving benefits. He is not the defender but the advocate. I think that is a proper position to take.

Mr. BASFORD: I am not trying to put Mr. Kilgour on the spot. I am trying to obtain help to answer a question that I have in my mind as a member of Parliament. I have had correspondence from the painters, office cleaners, hod carriers, labourers and delivery truck drivers, and so on, all of whom seem to be pretty ordinary people—those whom, in common language we call the ordinary people, and certainly not people whom you call in your brief the "haves". I find this language of "haves" and "have-nots" not too helpful. But, in view of the representations that have been made to me and to the members of the committee by the Canadian Welfare Council and these other very prestigious and authoritative groups, surely to accept your submission we must accept the premise that these groups are not interested in the ordinary people of Canada, or they do not know what they are talking about.

Mr. KILGOUR: If I can comment on Mr. Basford's question, Mr. Chairman, I will say that I think in a political sense his question is well put. Why do I choose, if you like, to criticize a plan for what it does not do for a lot of people in Canada. I think my only reason, Mr. Chairman, is that I understand pension planning, and I think I know a little bit about Canada. I am not at all satisfied that the hod carriers or the boiler makers and the Canadian Association of Agricultural Workers have any greater capacity to understand Bill C-136 than a great many Canadians. Many of them are going by the headlines which say that this puts a great floor of social insurance under all Canadians, whatever they do and whatever their economic circumstances may happen to be. My point is that this is not going to happen. The Canadian Federation of Agriculture, which put in a brief and if I read the newspapers correctly, said they hope the people receiving around $600 a year can get some benefit. In my judgment—and it is an individual judgment—this is naive. Two-thirds of the farmers of Canada do not have taxable incomes. How are they going to get under the Canada Pension Plan. If the Canadian Federation of Agriculture thinks this is going to help the majority of their members then, in my opinion, they are wrong, and perhaps they will have a new executive five years from now when the farmers of Canada understand what is happening.

I do not intend to be provocative. I am just expressing my views in a manner that I have come to develop.

Mr. LLOYD: You have satisfied the senator, in any event, that you do not need his help.

Mr. KILGOUR: In fact, Mr. Chairman, on Mr. Basford's very point, if you would care to enquire how these benefits, pensions, disability and death benefits are going to help the underprivileged people of Canada, then I would be glad to have any error in my brief pointed out.

Mr. BASFORD: I wanted you to help me with my problem which I have as a member of Parliament sitting, reading and weighing the representations that come from these various groups, and whom I think are quite knowledgeable.

The CHAIRMAN (*Mr. Cameron*): Mrs. Rideout?

Mrs. RIDEOUT: Mr. Kilgour, I did not think I was going to get here quite as fast either. At page 15 of your brief, in the last paragraph—this does not really

relate to my remarks on the Canada Pension Plan, but it interested me—you make the point about the provinces attempting to collect hospitalization premiums from the residents. If I may quote from your brief, you say:

> Some provinces, such as Quebec, did not even try, although the strain on provincial budgets has been very great. Others tried it and gave it up.

I am presuming that in the "others" my province of New Brunswick is included?

Mr. KILGOUR: Yes.

Mrs. RIDEOUT: I should like to point out, sir, that the Province of New Brunswick—and I am saying this because I have the honour of being the only woman representing the province of New Brunswick in the House of Commons—did not give it up. It was an election promise by our Liberal Government, and one of the platforms of their election campaign, an election which they won mainly because, I would think, they promised to give it up. Since then it has not affected New Brunswick financially. To my knowledge we are now in the midst of an economic boom such as we have never known before. Do not think because I am saying this that I am suggesting that when you die you should go to New Brunswick and not to heaven, but we are certainly on the way, and the giving up of the hospitalization tax had nothing to do with it.

Mr. KILGOUR: I may have come to an erroneous conclusion, but my logic was in this vein: Hospitalization is concerned with relatively low premiums. It was a bargain because the federal Government was paying about half the cost. If the people were so unwilling to pay hospitalization premiums that they would turn out the Government that imposed them—you did say it was an election platform?

Mrs. RIDEOUT: Yes.

Mr. KILGOUR: If the people were happy to get rid of a premium of $18, $24 or $48—I have forgotten what they were in New Brunswick, but premiums of that size—if they were so anxious to get of them that they voted in a government that promised to do away with them, them how many of those people will be keen to pay a tax that starts at $600?

Mrs. RIDEOUT: My point was only to assure you that New Brunswick did not give it up, really. They voted to give it up, yes, but at the same time they still have their hospitalization.

Mr. KILGOUR: But without making any individual contributions to it?

Mrs. RIDEOUT: The point is that they felt so strongly against the premium that they were perfectly willing to give up the government that brought it in. But, I do not agree with you that the pension plan will be received in that manner. I think that the people look forward to a pension plan, and want it.

Mr. KILGOUR: More than hospitalization?

Mrs. RIDEOUT: More than hospitalization, yes, because it is something for their future and not for their immediate use.

Mr. KILGOUR: Mr. Chairman, obviously this is a matter on which one may hold his or her own opinion. I suggest that the Liberal Party felt hospitalization should come first. They put it in a long time ago.

Mr. MONTEITH: Not as far back as 1919.

Mr. KILGOUR: No, but it was a long time ago, and most provinces have concluded that the collection of small premiums is not worth the candle. We have only three provinces left doing it in Canada. It is very unpopular amongst people of moderate incomes, especially when they are harried—there are some pretty severe provisions in this bill to take care of your not paying your contribution.

Mrs. RIDEOUT: You are comparing this hospitalization tax with the Canada Pension Plan.

Mr. KILGOUR: It is another Government contributory scheme.

Mrs. RIDEOUT: It is just a matter of personal opinion. I do not relate them together, I am sorry. Thank you very much.

Hon. Mr. CROLL: Mr. Kilgour, earlier you said that under this bill you get it or you do not get it by an Act of Parliament; is that right?

Mr. KILGOUR: Yes.

Hon. Mr. CROLL: In the 1950 bill you got it or you did not get it by an Act of Parliament?

Mr. KILGOUR: Mr. Chairman, I make a great difference by pointing out that virtually everybody gets it under the Old Age Security Act.

Hon. Mr. CROLL: Everybody who was 70 years and over got it.

Mr. KILGOUR: And would get it upon attaining the age of 70.

Hon. Mr. CROLL: Yes, but that was by an Act of Parliament. We drew a line of demarcation between the two sets of voters, and we said to one set: "You will get it," and to the other "You will not get it no matter how great your need," and we said that by Act of Parliament.

Mr. KILGOUR: That is right.

Hon. Mr. CROLL: That is exactly what we are doing in another atmosphere and for another purpose, but the emphasis is that either you get it or you do not get it by Act of Parliament. My point is that this is exactly the same thing. It is something else, but it has the same principle, has it not?

Mr. KILGOUR: I would respectfully differ with that as the only security that all Canadians, subject to minor residential requirements, achieve this benefit at age 70—all Canadians, whoever they are. The pension plan gives old age pensions as high as $104.50 or $104.17 a month; or nothing at the bottom of the scale, because you did not earn enough. There is a death benefit of $80 odd at the top of the scale, plus allowances for children; or nothing if you do not qualify. To me, a death benefit, if you take it as $44 to $55, a flat benefit for widows, merits a lot more sense in present day Canada than $88 for me and nothing for someone who was unfortunate.

Hon. Mr. CROLL: I do not want to disagree with your answer but you missed the important point, and it is not such a difficult point, if you listen. I quote your words, that you do not do it by this bill, you do it by an act of Parliament. What I am saying is that in the bill in 1950 you got or you did not get it by an act of Parliament. If you were 70 you got it, if you were 69, or just one day away from 70, you did not get it.

Mr. KILGOUR: Until you became 70.

Hon. Mr. CROLL: But in this case you say that if you are 40 you are in a pretty good position to be able to get some real benefits out of this. As a matter of fact you call them windfalls. You qualify immediately under the new act, but it is also a demarkation between citizens by an act of Parliament.

Mr. KILGOUR: I am trying to be thoughtful. I thought there was a difference between a person who benefits under a universal benefit on attaining an age and one in which there are some rigid limitations, where some persons get a large benefit and other persons get a small benefit or none at all. I think there is quite a difference, but this may not appeal to the committee.

Hon. Mr. CROLL: I have no hesitation in putting you on the spot, so would you listen to what I have to read:

> One could well ask what are we waiting for? The joint Senate-Commons Committee of 1950 was so successful in establishing Old Age Security with harmoney and wide public approval that one of Mark Twain's observations is very appropriate, "Few things are harder to put up with than the annoyance of a good example."

Do you know the author?

Mr. KILGOUR: I subscribe to that, sir.

Hon. Mr. CROLL: That was a statement you made at the 72nd annual meeting of The Great-West Life Assurance Company, in Winnipeg in 1964.

Mr. KILGOUR: I have often done wrong before but I do not think I was doing so in those remarks. I think it is true that if one were to give this to a committee, and particularly if you were to designate some terms of reference, one could have a pension plan, in addition to our old age security plan, designed relatively quickly, that would meet very well the true test of what the Canadian people need.

Unfortunately, this bill has been drafted on preordained premises. It must be wage related, then later it must have a fund. If we really were to define the needs of the Canadian people, I am satisfied that an extension of old age security could be designed as harmoniously and as intelligently as it was in 1950.

Hon. Mr. CROLL: I was very much struck by those words. I have a great number of clippings. You were then advocating royal commissions—not on this.

Mr. KILGOUR: On this, too. I advocated a lot of things.

Hon. Mr. CROLL: I think what you said was:

> Prompt reference to a joint Senate-Commons Committee can achieve many things. Regardless of one's views, pro or con, on any particular aspect of the Plan, there can only be public good emerge from the healthful airing, informed debate and study which only such an inquiry can achieve.

Mr. KILGOUR: Yes, but I made those remarks terribly thoughtfully and my only regret is that they came after the second reading of the bill. I could have hoped that they would come before the bill was introduced. I meant it very seriously.

Hon. Mr. THORVALDSON: Might I ask the honourable senator for an explanation of the meaning of his question. In other words, when you made that quotation, are you referring to the type of inquiry that was made on the old age pensions committee in 1950, because if you are, the chamber of commerce delegates this afternoon took exactly the same position in regard to this as the witness does now and as indicated by Mr. Croll.

Hon. Mr. CROLL: Mr. Kilgour knew very well what he was talking about at the time he made these assertions. He knew the difference between the committee in 1950, that had a term of reference without a bill, as compared with this committee with a term of reference with a bill, at the time he made the statement; so there can be no question about that. What you were asking for at that time was for a joint Senate and House of Commons committee?

Mr. KILGOUR: Before a bill.

Hon. Mr. CROLL: There was nothing said here about "before a bill".

Hon. Mr. THORVALDSON: There was no bill at that time.

Mr. KILGOUR: I appreciate the senator's thoughtfulness but, frankly, sir, that statement was made long before any bill was even within range or sight and it was that there be a royal commission or a parliamentary committee. I referred to the King-Lesage Committee. There was a deliberate desire that this subject could be aired thoughtfully before a bill was presented. I believe I am correct in my facts and I trust that the Senate will bear me out in this now.

A MEMBER: What is the date?

Hon. Mr. CROLL: February 4,...1964.

A MEMBER: It was long before the bill.

Mr. KNOWLES: That was between the first and second versions. We are on the third version now.

Hon. Mr. CROLL: It says:

> Its recommendations would develop a measure in which Canadians could have confidence and pride.

Is that still your opinion?

Hon. Mr. MCCUTCHEON: Not of this committee.

Hon. Mr. CROLL: The question I ask is, is that still your view?

Mr. KILGOUR: I can answer this by referring back to my submission, in which I respectfully submit that the Canada Pension Plan should properly be rejected, and then I qualify that by saying that:

> If sound, equitable principles are established, a comprehensive alternative available to all Canadians at lesser cost can be achieved through a broad extension of the present Old Age Security Act.

I firmly believe that to be the case. If it were within the terms of reference, or within the mood of this committee, seriously to lay down one, two or three accepted principles, such an extension could be developed promptly, exactly as it was in 1950. But that may not be within the political orbit. However, I still hold to the principle, though if it is not properly within the terms of reference of the committee I cannot speak on it.

The CHAIRMAN (*Mr. Cameron*): You still think a committee of the Senate and House of Commons is of real value?

Mr. KILGOUR: I certainly do.

Hon. Mr. MCCUTCHEON: Before a bill.

Mr. KILGOUR: I am one of those who believe in the parliamentary system and who believe that if a Senate-House of Commons committee finds something unworthy of being passed, it will not be passed.

Mr. BASFORD: As a matter of privilege, we should welcome back to the committee Mr. McCutcheon whose presence must indicate the leadership crisis is over.

Hon. Mr. MCCUTCHEON: I did not understand there had been one.

Mr. LLOYD: Everyone will admit that if you had a choice and were starting from scratch one could deal with it from the economic angle or other angles, one could take considerations of provincial and federal governments and one could agree as to a point of time as to what they ought do. There are considerable merits in what you say about the flat rate form of assistance to people. Otherwise there would not be any Old Age Security Act. The Old Age Security Act will continue after the Canada Pension Plan is established.

Now, on page 20 you make a statement about certain situations. In the second paragraph you say:

> Contrast this with a widow supporting herself, waiting for age 70 when she will have $75 a month out of which she must pay her total upkeep.

Now, I put this to you. Anybody reading that kind of statement, such as people who do not know economics, and surely a lot of us do not know the finer points about actuarial science, would look at this and say, "Well, this is the Canada Pension Plan—it doesn't do anything for her. This gentleman is pointing out to us that it is deficient. What does he suggest we ought to do? Should we increase the old age security from $75 to $150?"

Mr. KILGOUR: Mr. Chairman, in reply to that, I would quite categorically advocate that there should be a flat rate system of pensions or benefits for all widows in Canada; and one may choose to redefine this by saying certain age categories and adding on to it that the Canada Pension Plan does give certain benefits for children. However, to me, a bill which says that we will ignore widows of 65, anyone up to 65—six, seven, eight, nine—let them raise their children any way they like—

Mr. LLOYD: From your enlightened position, Mr. Kilgour, and your vast knowledge of pension planning in Canada, at what figure would you place the assistance in 1965 if the government should supply people in this category?

Mr. KILGOUR: Mr. Chairman, if I were to volunteer out of my sole wisdom a pension plan for Canada and nominate the rates, I should not be here. It has to be an extraordinary study to arrive at that. What I am saying is that flat rate benefits, or any measure of that kind, must be according to what your total pocketbook can absorb, and be applied to the people who need it, and that is a more intelligent way of determining how to spread assistance than income related, and having some people cut out completely. I would not begin to say I can draw up a plan on the back of an envelope, because I cannot. However, I am confident that once the principles are settled, if you said that we are going to look after all these people who today are widowed and give them an income which is consistent or compatible with what we can pay old people, you can determine the costs of those things with the proper assistance quite accurately, and you can measure whether this is within your pocketbook or what you are prepared to tax off. I cannot create those figures in a moment. All pension plans are arrived at by asking what do we want to achieve, how much does it cost us to do it. You have to keep on reconciling the benefits and your capacity to do it.

Mr. LLOYD: Then, Mr. Kilgour, without extensive study and research you cannot put a figure on what it should be?

Mr. KILGOUR: I would not feel that I could authoritatively, but for arguments sake one could toss out a figure, the figure set for old age security. Seventy-five dollars a month might be an intelligent payment to a woman who is left in a certain age category and not able to re-enter the labour market, or who has dependent children.

Mr. LLOYD: So that this answer of yours really applies to any of the flat rate benefits—the disability, the death benefit—

Mr. KILGOUR: In my judgment, yes. The disability benefit again, is utterly cruel.

Mr. LLOYD: How does our present program of social assistance operate, on the basis of means testing? We do, don't we, at least provide disability assistance at the present time?

Mr. KILGOUR: Mr. Chairman, I am sorry I cannot speak on the welfare measures in effect in the different provinces. I rather was viewing this discussion as related to things that people were entitled by right to a social welfare bill enacted by the Parliament of Canada. It may be that welfare assistance—

Mr. LLOYD: But you do admit that the economics of it is involved, and involves any level of government, and that we have to have regard for the economic implications of all measures?

Mr. KILGOUR: Quite; and I would hope that any federal legislation to cover these groups would take a great load off the welfare departments and give considerable confidence to the people, having these benefits by right, instead of a welfare measure.

Mr. LLOYD: As a general statement, you do subscribe to the viewpoint that how much we can do in the social assistance field is governed by the resources of Canada?

Mr. KILGOUR: Oh, quite.

Mr. LLOYD: So it is on this allocation of resources for national objectives in which we have great responsibility that we should put the emphasis on the priorities we select?

Mr. KILGOUR: In my judgment, Mr. Chairman, clearly an allocating of funds to people who presumably need them and giving the most to the people who do not, by that means we are automatically taking the benefits away from the people at the bottom.

Mr. LLOYD: My last question is this. Let me assume for a moment that some measure of further assistance would be available in the flat rate field of social assistance. What about all those other people who now do not have access to pension funds? Should they be left? I am speaking of wage related pensions. Should we not go on expanding wage related pensions?

Mr. KILGOUR: I think that question I would answer something like this. There are incredibly great pressures at work today to expand wage related pension plans amongst employers who are solvent enough and large enough to put them in. There is the concept of responsibility that bears on employers to have a decent pension plan. This has been growing for the past 20 years. There are pressures of labour unions that we want a decent pension plan, and this has been the urge, for fringe benefits which has been very great. There is the competitive factor of an employer who does not have a plan, and cannot hire as sound labourers, perhaps, as those who have. There are the tax benefits of being in a pension plan, and having half of it paid by the federal government. All these are urging employers to put in an intelligent pension plan, who have the means to do so. It is on top of these plans that we are adding the principal benefits of the Canada Pension Plan. To everybody in a good pension plan you can say categorically they are going to get this one on top of it, and the employer may be tough and say "the government gave it, and I take it", but this is a rough position for an employer to take.

Mr. LLOYD: You do not have statistics on this such as have been asked for?

Mr. KILGOUR: No. My submission is only on what happens to the people, and not on the economics.

Mr. LLOYD: I think it would help to bring out the fact that under private plans, in the lower earnings field pensions are pretty slim.

Mr. KILGOUR: On the contrary, Mr. Chairman, every pension plan with which I am familiar has a pension formula which treats income levels equally, or if anything, a discrimination against highest salary groups. I know of no pension plan which exercises discrimination in favour of the higher salaried groups so that someone suffers a disadvantage by being in a lower salary group.

Mr. LLOYD: But private plans are all wage related plans, are they not?

Mr. KILGOUR: Yes.

Mr. LLOYD: So as to your observations with respect to wage related plans, which I think you quite extensively criticize, those who earn more are paid more. Is that not a fact of our society?

Mr. KILGOUR: Yes, Mr. Chairman, but this seems to go back to a sort of basic principle. Obviously people who earn more have more money; but for the government to say we will give a large benefit to people who earn over $5,000 a year, we will give nothing to people who haven't enough money to put in an income tax return, is allocating government revenues to people

who almost by definition do not need it and not giving a nickel to people who almost by definition are poor and do need it.

Mr. LLOYD: I think what you are saying is that there is no need for government to extend in the field of wage related pension plans. You are saying we should stay out of that field and we should concern ourselves with increasing our flat benefit payments under the old age assistance program, and the like?

Mr. KILGOUR: To much broader groups, yes, that are not now covered.

The CHAIRMAN (*Mr. Cameron*): Mr. Cashin?

Mr. CASHIN: Mr. Chairman, I should like to attempt to show that there are several holes in the brief of Mr. Kilgour, but this would not be fair to other members of the committee. I am also cognizant of Mr. Kilgour's statement about principle and the reference here to philosophy. I think this is really a question of conflicting philosophies between myself and Mr. Kilgour, but somehow I think mine is more in accord with the evolution of government in North America and western Europe over the past 30 years, so, consequently, I think my philosophy is right. Of course, we could have a great debate relating back to the pre-1930 or 1935 philosophy. That being as it may, there are one or two things I would like to ask of you.

Hon. Mr. THORVALDSON: When were you born?

Mr. KNOWLES: It doesn't matter, '30 or '35.

Mr. CASHIN: It was my good fortune late enough not to have to endure too much of that pre-1935 philosophy.

Mr. MONTEITH: You missed a lot!

Mr. CASHIN: On page 10, at the bottom of page 10, you are discussing the young woman who works for five years with earnings of $2,400 per annum, and you show us in this brief that this woman gets a lower return from her participation in the Canada Pension Plan than she would if she tried Canadian Government annuities. What rate of increase in wages did you assume for the next 40 years for the purposes of this?

Mr. KILGOUR: I can give an intelligent answer to that. I use the exact figures in the Canada Pension Plan and the exact figures in the Canadian Government annuity plan. In other words, I did not attempt to index them. In other words, I used the present formulas without indexing. It could be the dollar is going to depreciate and this three-times spread will be eliminated, but if one contemplates a 2 per cent compound annual interest increase in prices for the next 20 years that means rising prices of nearly 50 per cent; but if you want to use a figure of 4 per cent rate of compound annual increase for 20 years, that more than doubles price levels. In my judgment, such increases, if they come about, will have such a sweeping impact that I would not want to even predict it. Accordingly, I have used the initial level of benefits, the only known comparison. Indexing is an unknown league, and in any such price rise 3 or 4 per cent represents the sort of blow-up I do not want to contemplate.

Mr. CASHIN: This illustrates our differences in philosophy, because the record of the economy of the past 40 years suggests you are incorrect.

Mr. KILGOUR: Forty years takes you back to—

Mr. CASHIN: —to 1926. I am using the figures quoted on page 151. We have only average salaries going back to 1939. I was going to use that example, but I thought it would be a little unfair to you because it does not include the depression. I want to be as fair as possible.

Mr. KILGOUR: Quite a lot of people did live through the depression.

Mr. CASHIN: That is right. I hope the philosophy that evolved in Canada as a result of the depression will help us to prevent the next depression, provided we can maintain and enlarge this philosophy.

Therefore, I can only conclude, if you accept history, and be very conservative, and say we are not going to do any better in the next 40 years than we did in the last 40, my breakdown of these figures comes to $24, using a growth rate of four times, on the basis of the Gross National Product. That makes $24 this young lady will get. Investing in Government annuities, I know of no way to do it where you will get someone else to pay half the contribution. So for the same amount of money she invested in the pension plan she would only get half. If you take her individual investment she would only get $8.42. We could all figure it and say it comes from different philosophies. Mine, perhaps, puts a little more hope in the future, and I hope to live a little longer in the future than many. "Hope springs eternal".

Mr. KNOWLES: We will abolish the Senate before you get that old!

Mr. CASHIN: My figure is $24 as opposed to $8. This illustrates the difference in philosophy.

Mr. KILGOUR: I deliberately said my brief was not touching on the economics. Sir, if you question whether a four-times increase in wage levels is going to be healthy for Canada, I suggest you should contact the Governor of the Bank of Canada or the Chairman of the Economic Council rather than me.

Mr. CASHIN: Was it healthy for the past 40 years?

Mr. KILGOUR: It went through a variety of stages. There was a period called 1929. Then there was a long, rugged period. I remember when the wage level was not going up but was going down.

Mr. CASHIN: But for the 40 years?

Mr. KILGOUR: It may be an interesting figure in Canadian history, and the one-way street is not something that is inevitably tied in to our economic system. That is getting off onto economics, which I should not be on.

Mr. CASHIN: I think we at least know where we stand now, and this will help me answer the kind of letters I get that Mr. Basford gets.

Mr. KILGOUR: Could I ask whether you feel a young married woman who has worked for 10 years prior to having a family fares well compared to the woman who comes out of marriage and works from age 55 to 65 and gets a pension of three or four times that which the woman who worked at the beginning of her life gets? Is that equity?

Mr. CASHIN: She fares better than she would fare now. My philosophy would be that I am all for doing for the greatest number of people the most all of the time. If we cannot solve all of the problems of all of the people at the present time, I believe we should make the best possible effort to solve as many of the problems as we can, including the problem of the $600-a-year man. The man who now makes $600 will not benefit under the Canada Pension Plan but will at age 65 get $900 a year. Is this the kind of society we want to have, where if you can survive until you are 65 you have a bonanza, and you forget about him until he is 65? We have to look at the whole problem in toto, and we just disagree.

Mr. KILGOUR: What happens if he dies and his wife has four children to raise?

Mr. CASHIN: When he is making $600 a year?

Mr. KILGOUR: Yes.

Mr. CASHIN: She probably will not be any worse off, or slightly worse off, and in either case she would be in a horrible mess, and I would not want to be in her position.

Hon. Mr. THORVALDSON: Your philosophy would do her a lot of good!

Mr. CASHIN: Certainly it would, and I hope to do that some day too.

Mr. MUNRO: Mr. Chairman, Mr. Kilgour has referred to the Canadian Life Officers Association brief, and one of the aspects that Mr. Kilgour has pointed out as a deficiency in the present Canada Pension Plan, and one of your central themes, as I understand it, is the number of people who will not be covered and will not get benefits. Assuming that to be correct generally, the chart that sort of backs up this central theme, chart 2 of the Canadian Life Underwriters—

Mr. KILGOUR: Mr. Chairman, I would rather speak on my own submission than on another one. I do illustrate the number of people that will not come in, but I used other terms on page 16. I think I am better qualified to speak on my own submisison than another one. I have brought no notes, no economists, no statisticians. I am just me.

Mr. MUNRO: Perhaps you will let me comment on it, for this reason. I think you did refer to it, in all fairness to yourself. You stood in here when the Canadian Life Officers presented their brief. You referred to the chart as an outstanding example, and you were quite articulate on this point, that this chart did point out some serious gaps in the coverage of the Canada Pension Plan. I believe you referred to 66.5 per cent at that time that would not be covered. I think also at that time there was some indication that generally it would be welcomed if the aspects of this particular chart and the basis of it were examined.

Also at that time there was some indication that generally it would be welcome if the aspect of this particular chart, and the basis of it, were examined, and the actuary has done this to a degree.

Roughly, he has examined this and come up with figures now, and it does still bear out to a degree the theme you have mentioned. But the actuary would indicate that with respect to the 1,880,000 people in 1976 over 65 who would be receiving benefits if there were complete coverage, or universal coverage, the figure of the Canadian Life Insurance Officers Association, of 33.5 per cent who would be receiving benefits, is not correct. He indicates that the percentage is 36 per cent.

I agree that this is not a great divergence, but it does involve people, and he indicates that it would be 36 per cent who would definitely be receiving benefits.

Breaking down the no-benefit area, which under your chart indicated 66.5 per cent of this 1,880,000, he says that that is 64 per cent. He breaks it down this way. He says that 32.4 per cent would be people who are over 70 and who are now retired—and when I say "now" I am referring to 1966, that is, 10 years previous to 1976—and people between 65 and 69 who are now retired.

Mr. MONTEITH: I don't want to interrupt you, but are these figures in the actuarial report?

Mr. MUNRO: It is based on the actuarial report and they are conclusions of the chief actuary.

Mr. MONTEITH: But they are not before us any place.

Mr. MUNRO: I was just about finished. I was going to ask you some questions not pertaining to the figures particularly but to what they reveal, and I think it does deal with your general theme.

Mr. KILGOUR: Mr. Chairman, I would only make this observation: If the parliamentary secretary to the Minister of National Health and Welfare says that the Government actuary confirms that 64 per cent of the people now who

will be over age 65 in 1976 will be getting no benefits from the Canada Pension Plan, I think that jibes surprisingly well with our statement of the other day, and it confirms it.

In fact, Mr. Chairman, I get exactly the same figure in my discussion on page 6 as to whom the Government can collect money from, and I say that one-third of the people will never be in the plan.

Mr. MONTEITH: I come back to the simple fact that here are some figures available to Mr. Munro which the rest of us have not had.

Mr. MUNRO: Mr. Monteith, I was not strictly accurate when I said that this was from the chief actuary. These were conclusions drawn by the department as a result of a study of the actuarial report. Now, I am just indicating a study of these figures, and I am not verifying that they are absolutely and completely accurate any more than the Canadian Life Insurance Officers Association were prepared to substantiate the basis of their figures.

Mr. MONTEITH: These are figures that we are going to get, are they, Mr. Munro?

Mr. MUNRO: The figures you are going to get are ones actually from the chief actuary himself, formally delivered, which may be at some variance with these, but I wanted to bring these out with Mr. Kilgour in relation to this particular chart and then ask some questions pertaining to it. I don't think that they are going to be widely divergent from the conclusions in the chart other than that they do explain a lot of things and do reflect considerations that we should take into account when certain questions of deficiency are pointed out.

Mr. CANTELON: It might be asked that these figures be tabled, then, for the benefit of the whole committee.

The CHAIRMAN (*Mr. Cameron*): In view of the fact that Mr. Kilgour is ready to accept that the figures are reasonably close to his own, I think that the damage, or harm, that might be done has been obviated.

I would think that Mr. Munro might have put his question "assuming this to be the case", rather than as if he were quoting.

Mr. MUNRO: I agree that that would have been a more appropriate manner.

Hon. Mr. THORVALDSON: As a question of order, Mr. Chairman, what right has one person in this committee got to receive figures from the Government actuary that the rest of us don't have?

Mr. MUNRO: Senator, I corrected myself. These were not from the chief actuary but were from the department as a study of the actuarial report.

Hon. Mr. THORVALDSON: Well, they were from the department itself. It is the same thing.

Mr. MUNRO: I am sure that if any member of the committee requested information from the department they would endeavour to co-operate and supply it. I don't think any member of the committee has had difficulty in the past; at least I hope not.

When this chart was prepared, and Mr. Kilgour referred to it and based certain conclusions on it, and frankly it was a troublesome revelation at the time, I asked for this whole area of no benefit to be broken down and I am just about finished if you would just like to hear the rest of the figures.

Hon. Mr. THORVALDSON: I want to ask the Chairman what right any member of this committee has got to cross-examine the witness with regard to figures which the rest of us have not got?

Mr. MUNRO: I am not cross-examining.

Hon. Mr. THORVALDSON: Well, I would like the ruling.

Hon. Mr. CROLL: Mr. Chairman, a few days ago members from this committee asked for information with respect to certain questions that had arisen as a result of evidence that was given. I was one of them. Some of the information that had not been given then I have not received yet. But I have some indication that this information will be ready and I suspect that anybody else who wants information may ask for the same thing. It is the normal practice.

The CHAIRMAN (*Mr. Cameron*): I don't think it is a question of a right. I think it is a question that the figures are not official figures because Mr. Munro has stated he is using them as a guide or lead to question the witness, and the witness is prepared to agree that these figures are substantially correct. Otherwise I might have said, "If you are saying that these are the figures of the chief actuary we should have those figures before us before you use them."

Mr. KILGOUR: Mr. Chairman, if I could add a word, I think I am always pleasantly surprised when actuaries' long-term projects come out within 2 or 3 per cent of each other. Now, these did so and I suggest that this is not a material contribution against the fact that 10 years hence this plan is going to have more old people getting nothing from it than those who are getting something from it.

The CHAIRMAN (*Mr. Cameron*): Well, to clear the point I will rule that the figures are not official.

Mr. MUNRO: I welcome Mr. Kilgour's comments. I wish I could finish the percentages, because I indicated that on these figures here—and I agree that they are not official—it is 36 per cent receiving benefit and 32.4 per cent who in 1966 will be 65 or over and who are retired, and that includes all those in 1966 who are over 70 who will still be alive in 1976 in accordance with the chart. So that in that comparison 36 per cent receiving benefit is more than the 32.4 per cent, so that your conclusion is not quite correct on the basis of this figure.

However, I agree that this is still an alarming thing and it works out to approximately 593,000 people, on these figures, who are over the age of 70 or over 65 and who are retired.

Still on this area of no benefit, it goes on to the figure of 9.4 per cent not yet retired between 65 and 69. Now, that would refer to 1976 also, so that it cannot be assumed that all those people, the 9.4 per cent of this area, would be receiving no benefits and would not be contributing. The final area, breaking it down, is 22.2 per cent, for 1976, under 65 and not participating in the plan.

Now, again I agree that this is an alarming figure following along your general theme, Mr. Kilgour. But in that 22.2 per cent would be included widows between 55 and 64 in 1966 not working, and then you have to assume that for the 10 years from 1966 to 1976 those widows between 55 and 64 in 1966 would never be earning. All of them would never be working and earning over the $600 limit.

This 22.2 per cent would also include unemployed or disabled aged between 55 and 64 in 1966. Again you would have to assume that proportion —the unemployed proportion of this—will always be unemployed. Never during this ten year period will they exceed the $600 exemption, and never will they thereby be able to contribute to the Canada Pension Plan.

When you see it in that aspect, assuming this is correct, it does reduce considerably the impact of the conclusions that have been arrived in chart 2.

I am not still contending it does not present problems. All I am saying is that I do not think the alarming figures that have been arrived at here

are accurate, and I think they can create considerable misunderstanding and alarm unless they are at least qualified and explained.

Now, I would suggest that by bringing down the percentages indicated that considerably over 50 per cent of these 1,880,000 will, in fact, be covered under the Canada Pension Plan in 1976. I am also suggesting—and I am inviting your comment—that if a chart were prepared—this is just about the worst period you could have picked for this chart—if a chart were prepared for ten years later you would find a considerably higher degree of participation so far as benefits are concerned than is indicated here.

Mr. KILGOUR: I would be glad to comment on that. I do not think that anyone could quickly assimilate Mr. Munro's analysis of those figures, which none of us have seen before, but I would strongly quarrel with the final conclusion that there would be only 22.2 per cent who would be in the plan. May I take you back—

The CHAIRMAN (*Mr. Cameron*): Before you go on, I think you said only 20 per cent in the plan—

Mr. KILGOUR: I think Mr. Munro said there would be only 22.2 per cent—

Mr. MUNRO: No, I said that 32.4 per cent were, in effect, retired in 1966, most of whom were over 70 or between 55 and 69. I agree that 32.4 per cent are not covered. Then I said that of the 22 per cent—we also agree that with respect to another 22 per cent you could allege they are not covered, but that they include these two areas of widows of between 55 and 64 in 1966—

Mr. KILGOUR: Will they be getting any benefits from anybody?

Mr. MUNRO: You could say this 22 per cent is comprised of widows and unemployed people. You could say that the whole 22.2 per cent would not get any benefits if you make two assumptions—first, that widows between 55 and 64 in 1966 will never be working and never contribute to the Canada Pension Plan in this ten year transitional period—

Mr. KILGOUR: Why not? Why would they not be in the work force? A widow should go to work so fast—a single woman. She can get a bonus of 25 per cent of her wages. If this Canada Pension Plan does not draw every wife and mother out of the house to work then it is because they do not care about money.

Mr. MUNRO: That would considerably reduce the benefit area.

Mr. KILGOUR: This would help exaggerate our biggest problem, that of finding jobs for everybody in 1970. This legislation will pull every woman out of the house for three days a week in order to get the 25 per cent—

Mr. MUNRO: These are the people you are including in your no benefits area.

Mr. KILGOUR: Mr. Chairman, I would like to make a clear-cut distinction. We cannot talk about pieces of the pie. I suggested to you, and I thought thoughtfully, at page 16 of my submission, that under the best tax machinery and collection machinery that has been devised in Canada one cannot reach more than 47 per cent of the working population by employer-employee deductions. You can scoop in another small group by income tax returns. I cite Manitoba as an example, and say that on this date which I believe to be reliable you will have a minimum of one-quarter, and probably one-third, of the population from whom you will never get deductions. It has been frequently stated that everybody earns over $600 a year, but we must go back to the base. Many of these people are married men who may earn $1,800 or $2,000, but they have spent it. Normally they have no tax liability. Many of them have no records, and to ask them to put in a tax return and pay up $42.50 or $29.75 at the end of the year is utterly unrealistic.

Mr. LLOYD: Try that on Lunenburg County and see how far you are wrong.

Mr. KILGOUR: Do you mean that you would get it right away?

Mr. LLOYD: They are pretty astute in finding a saving.

Mr. KILGOUR: This is not a saving.

Mr. LLOYD: Well, in taking advantage of an opportunity—I will put it in that way.

Mr. KILGOUR: It means you have to file satisfactory data on your total income and disbursements. It may be that in Lunenburg County they all have a perfect set of books on income and disbursements, but they do not on the small farms in my part of the country.

Mr. MUNRO: Mr. Kilgour, I just wanted an opportunity, and I am grateful to you and the members of the committee for allowing me to do so, of putting these admittedly unofficial figures on the record with respect to these figures which you gave the other day, and on which you personally based the conclusions you came to.

Mr. KILGOUR: And there may be a 2 per cent area in that group.

Mr. MUNRO: There is considerably more than 2 per cent because there is not only the 2 per cent area in the people drawing benefit under your own chart, but there is the 9.4 per cent who are not yet retired in 1976 between the ages of 65 and 69, a goodly portion of whom could be contributing to the Canada Pension Plan.

Mr. KILGOUR: If they are not drawing any benefits it will mean the group that are under the larger piece of the pie—if they are not retired it will make the people not drawing benefits an even larger proportion.

Mr. MUNRO: Who are not drawing benefits?

Mr. KILGOUR: The life officers' brief took the premise that everybody was retired. So, if you make smaller the number of those people who are retired there will be a larger percentage who are not drawing any benefits.

Mr. MUNRO: Your 1,880,000—

Mr. KILGOUR: That is assuming everybody is retired over the age of 65.

Mr. MUNRO: That is fine. I say that is a faulty assumption, and that 9.4 per cent area—

Mr. KILGOUR: That will make the people who are not covered a larger proportion.

M. MUNRO: A larger proportion?

Mr. KILGOUR: Yes.

Mr. MUNRO: We are also saying that 36 per cent of your 1,880,000 are receiving benefits—

Mr. KILGOUR: Mr. Chairman, I have a sneaking hunch that an exchange between the Government actuary and the actuary of the life officers will be more profitable than an exchange between Mr. Munro and myself.

Mr. MUNRO: And I am also indicating that this 22.2 per cent could be based on two assumptions that cannot be made.

Hon. Mr. THORVALDSON: Mr. Chairman, on a point of order; yesterday we had a discussion about this matter of examining people on matters that were entirely outside their brief. I think the chairman of yesterday upheld those who took that point of view. I still take that point of view. If we are going to examine witnesses on matters that are not in their briefs then we shall be here forever, and I object to it.

Mr. MUNRO: Mr. Chairman, taking the honourable senator's objection into account, I would say this, that this theme that has been developed surely is

based on certain conclusions such as these, and the fact of the matter as to their accuracy surely is pretty relevant. It reflects on the accuracy of the statements made, and that is the only reason I am advancing it. But, I shall leave that area now and just ask this one more question.

Hon. Mr. McCutcheon: Mr. Chairman, may I interrupt for a moment? Surely, if these are figures produced by the department then we want the department's assertion that they are accurate. We want the departmental official who prepared them to come and tell us what they are, and we can examine him. We cannot examine Mr. Munro. That seems to me to be the nub of this question. He is alleging certain figures are inaccurate on the basis of a statement which none of us could follow as it was made. We shall read it with interest when we get the transcript. But, if he is challenging these figures then let us have the departmental official who prepared them come here and submit himself to our questioning.

Mr. Monteith: I agree wholeheartedly with what Senator McCutcheon has said, and I would add one postscript to the effect that I think Mr. Holmes, who was coming that day, indicated that to the best of their ability these were the figures they calculated, and he asked for confirmation from the department or the actuarial branch. This is when we asked the department to have prepared for us and for other years a similar graph on a similar basis.

Mr. Munro: I have admitted that they are not official figures. I put them to Mr. Kilgour based on certain figures that were given us. If he feels they are incorrect then all he has to do is to prove them incorrect by giving the basis of his own figures—

Mr. Kilgour: I would suggest that one of the actuaries of the life officers and the Government actuary would have no difficulty in reconciling any difference in base. Obviously I am quite incompetent to analyze a report that I have not seen and when I have not the gentleman who prepared it with me.

The Chairman (*Mr. Cameron*): I cannot agree with the statement about your incompetency, Mr. Kilgour.

Mr. Kilgour: I cannot analyse figures I have never seen.

The Chairman (*Mr. Cameron*): These were unofficial figures. I so ruled. I was allowing Mr. Munro to proceed with his argument and to ask questions.

Hon. Mr. Thorvaldson: What right has he to argue? We are on a point of order. You say you allow Mr. Munro to proceed with his argument. He is here to question, and so am I.

The Chairman (*Mr. Cameron*): I think it is inherent in Mr. Kilgour's brief. He has mentioned that he supports the Life Underwriters Association brief. It contained a chart and Mr. Munro is making certain observations about it. However, we can probably pass it over as Mr. Munro has indicated he is going to proceed to another question. The record is there of what Mr. Munro said and if it carries any weight the committee will decide that.

Mr. Lloyd: May I raise a point of order, on a question of procedure? I am in agreement in principle with Mr. McCutcheon and Mr. Monteith with respect to what we are going to do with all of these things. Mr. Kilgour, Mr. Anderson and other witnesses have made submissions to us, day after day. We have not had much opportunity to analyse in depth all the conclusions they have drawn. I presume that, after a week's recess, after the hearings, we will be calling our staff to check out those figures. At that time we can put ourselves in proper perspective on these things.

Mr. Munro: On this same point of order, Mr. Kilgour has referred in his covering letter to the Canadian Life Insurance Officers' Association brief as being much more complete and exhaustive on this subject. I do not wish to be unkind, but Mr. Kilgour did say: "How can I analyse figures I have not seen?"

Questions were asked pertaining to these figures of the Canadian Life Insurance Officers. They were not prepared to give any basis at that time for the figures they were advancing, when asked by myself. So they are both on a par in this matter.

Mr. PRITTIE: Regardless of the points Mr. Munro was raising, the facts still remain. As Mr. Kilgour and others have pointed out, many people are not covered. We knew this plan would not cover all sections of the population but this has been brought to our attention more forcibly by various briefs, and it is something we must think about.

Mr. Kilgour's brief is pretty clear. He and the Canadian Life Insurance Officers' Association favour an extension of old age security, perhaps by lowering the age benefit and so on. Apart from the extension of the O.A.S. principle, perhaps down by a fixed rate benefit, is it your final opinion that there should not be a Government plan earnings related pension?

Mr. KILGOUR: With a possible exception. I illustrate the point briefly on page 22. I personally hold the view that we cannot necessarily afford to do everything for everybody that we may want to do for some segments of the community. I suggest that if we are to require everybody to turn in an income tax form from $600 a year up, this may permit—I say "may" because this is a matter where there are differences of opinion—this may permit supplementary benefits to be payable to people whose need is clearly shown by their financial circumstances. I know this would embrace a great many problems. Rather than saying that all old age pensions must go up from $75 to $85 or $100, my own sense of economics is that there are many people in Canada whose incomes are so low that we would like to raise them. If we are to have income tax down to $600 a year, we may have clearly marked out for us those people who need supplementary measure to bring them up to $100 a month or whatever it may be.

To the extent that one person's idea may have any merit, I think this is worthy of exporation. If this new income tax screen, which apparently Parliament is willing to sanction, means that people must make returns down to $600 a year and is to be part of our national intelligence, then is it not possible that we could supplement people's income if they need it and ignore the people who have an adequate pension, that is, ignore them in terms of raising it?

Mr. PRITTIE: That would not be done by means of payroll deductions over the years?

Mr. KILGOUR: This could be part of the Old Age Security Act, if it had any merit. I can quite appreciate that if a married couple have nothing but old age security—and there must be many such—they would need to supplement this to some extent. Also, a single old person may need more than half the old age pension of a married couple. This could be done by their own income tax screen. One could bring their income up from $900 to $1,200. I think "supplement" is probably going to have to be our final test as to how those people you know are in trouble will be assisted, without scattering money across the country like crazy, to people who do not need it, and taxing young people to pay for it who may need it as badly, if not more so.

Mr. PRITTIE: I understand there would be no earnings related deductions over the years to meet that situation?

Mr KILGOUR: There would have to be revenue, whether by means of a wage tax, a combination of taxes or so on. I would rather see supplementary benefits payable to people who may be defined as needing them, rather than enlarging the whole scale up the ladder where all old age people—there are

220,000 odd in Canada—are receiving it. Air Canada is carrying them out of the country by the thousands for months and they do not need another $10 to $20 a month.

Hon. Mr. THORVALDSON: This could be a completely secret process, just as secret as the income tax?

Mr. KILGOUR: Just between the taxpayer and the state, if it was approved as part of the old age security—not a means test.

Mr. PRITTIE: It would not be anything like the proposed mechanization laid down?

Mr. KILGOUR: No.

Mr. KNOWLES: In view of the fact that you categorically recommend that we reject the Canada Pension Plan for a number of reasons that you have stated, one of them being the fact, to which I also have tried to give publicity, that it provides nothing for people now over 70, what is your alternative? What would you have us recommend that Parliament do for Canadians now 70 years and over?

Mr. KILGOUR: If I get the question correctly, my judgment—whether it is polically feasible or not—would be this. If this committee thinks as seriouly of the deficiencies of this plan as I do, one would be forced to the conclusion that this bill and the Old Age Security Act together, as they stand, do not solve the problem of many people in Canada in unfortunate circumstances or in old age.

Because of these deficiencies, there should be a re-examination of the specific approach to the problem, to bring in another one which will solve it more closely. If it is found there is no merit in plan A, then let us proceed to plan B. In my judgment, plan B must arrive to meet sertain solidly accepted principles. If you started by saying "Our problem is the unfortunates in Canada; we have a base now for everybody, which is good, but there are many people in trouble because this base is not high enough; we must find a technique to help them" there is the first problem.

If we have got a lot of existing widows who have no benefits under existing social legislation, that is problem number two. If we have a lot of disabled people in Canada who are not getting anything from the federal government, that is problem number three. If we have the fatherless and the homeless, that is number four. The object surely should be, how can we do a competent job for those people within some containable sum and raise the money. This would be my approach. How do we raise the money that it will cost to do what we feel to be an acceptable job? Then if we have any more money to spend, and there are serious questions on this view, if you have met the true social challenges as they exist, well, I suspect there is no shortage of places to put money, but undoubtedly there will have to be a continual and periodical review of the old age security, and a supplementary program perhaps every three or four years—some formerly constituted body sits down, by an analysis of existing problems, rather than by saying, "We will just raise them five or ten dollars a month." There should be a truly thoughtful process, on the basis that if this is right, then we have to do this today. I firmly believe that if you can honestly define the needs and lay down two or three principles which are mutually acceptable to the Canadian people as being fair, you can work out a plan. You can provide for periodic, thoughtful provisions which should be geared to the country's capacity to pay, and to how these people are paid in relation to the community. In my judgment, there is far greater hope in applying continually thoughtful measures, than in any such inflexible technique as an index which can help some people more than others, and do nothing for some others.

Such an inflexible technique ties the hands of Parliament, because they have promised already. It is like a 40-year contract without a relieving clause—you are just hocked to it.

Mr. KNOWLES: I would like to put to you a few frank questions, Mr. Kilgour. I wonder if you are aware of the fact that the life officers in their brief, like yourself, have drawn attention very strikingly to the fact that there is nothing in Bill C-136 for people over 70, but that you are refusing to give your own plan—plan "B", or plan "K", or whatever it is, for these people over 70.

I will go one step further. I think the storm you have tried to raise has not gone unnoticed. I can tell that from my mail from old age pensioners. In fact today I had letters from them. They are concerned about the point you have made, that here is all this legislation going through, and this committee working, but nothing in it for the present old age pensioner with $75 a month. You have just as much right as I have to point that out, but I think you have the same responsibility as I have to say what you would do now for those of 70 years of age and over. If all we do is to reject this bill, then we have done nothing for the people you say we are doing nothing for, and nothing for anybody else.

Let me go one step further. I will say for your brief that you make a couple of proposals that were not in the life officers brief the other day, or at least I did not see them. At page 22 you suggest that a single old age security recipient might have his total income brought up to a predetermined level, for example, $1,200. You seem to be suggesting that a single person over 70 who now gets $75 might have his total pension brought up to $100. That does not mean, as I read it, that his pension automatically is raised to $100, but it is a sort of—

Mr. KILGOUR: That is my Scottish approach. It is not a means test, but an income tax level approach.

Mr. KNOWLES: You also have a proposal that benefits payable at 70 could be used to enable people at 65 to bring their level of income up to $900. In other words, you are prepared to extend the coverage of old age security latterly, if I may use that term, to take in more groups of people not now covered, but you are not prepared to say that the level of old age security, the $75 level, should now be raised. The question I am putting to you is, do you think it is fair to the many pensioners in Canada who are aroused by the storm you and others have raised, that you draw attention to the fact that nothing is being done, but you do not propose yourself that something be done?

Mr. KILGOUR: This is a very fair question, Mr. Chairman. Perhaps I can answer it as frankly and honestly as I can in this way. I am satisfied that we must broaden old age security, take in more people that are not now covered. That includes widows and people out of work, and people who cannot work any more at 65. We must bring about a lateral plan to solve these problems. As to whether the level should be 75, 85, 95, 100, I do not think that I personally have sufficient knowledge on which to base a flat, and to say that this is my view. In fact, I tend in my own mind to divide elderly Canadians into about three groups. There are many of them who are well to do and who have more money, raising a family helping grandchildren and so on. Another group is getting by quite nicely—and old age security is a tremendous factor. This couple gets $150 a month, which together with their own resources makes them quite comfortable. There are those who without it would be in deep trouble; and I think this is in my brief, that there are people who with old age security get by quite decently. Another group is perhaps literally dependent on it. In this group I think anyone with a thoughtful or charitable outlook would say many of these people need more than $75. I am disenchanted with

the broad cast of the social measures we have been adopting in Canada. To me, family allowances are for the birds for about 75 per cent of the population. Money goes out of my pocket to my wife, and nobody benefits.

With regard to old age pensions, we must keep a basic level, I think, that makes some sense, and maybe $75 is plenty in relation to what I would call the first and second classes. It is perhaps quite inadequate in relation to those people largely dependent on it.

I suggest a supplementary technique. Some of you know more about what can and cannot be acceptable in Canada. What I suggest, you might shoot it down in flames. To me there is nothing wrong with a couple sending in a statement saying their income is $1,200, and somebody sending them back a cheque for $300.

Mr. KNOWLES: All these supplementary techniques involve a test of some kind. Are you departing from what you regard as the virtue of old age security, namely, a universal benefit that is of a non-discriminatory nature to be given to people of a certain age? Are you not disappointed, at the same time, when you hear of these thousands of old age pensioners who like to hear the storm raised but think it is raised in your defence?

Mr. KILGOUR: Again, I would like to be frank to say there is this one-third, or thereabouts, of our entire population who, I personally think are doing quite all right with $75 coming on top of their other income and good pensions. I think you will find that increasingly in the case of people retiring from the government and private industry, all having good pensions and social security on top, who are well cared for in relation to the working population and in relation to the fact that their cumulative expenses to raise and educate children over the years are over. I am not talking about well to do people, for whom I think $75 is ample.

Mr. KNOWLES: But are you not asking the committee to reject the plan without something to take its place?

Mr. KILGOUR: Well, I wish I had the wisdom to offer a pension plan or an old age security plan that would commend itself to this committee. I doubt if any one person can do that. My view would be rather that there are certain principles that can be agreed upon. I think men of good will could agree on them. Then you have to get down and see what it will cost, to see what it is you want to do, and how you are going to raise the money. Then you get an answer.

Mr. KNOWLES: You and I have been following that idea for a number of years, but from a different point of view. If we got together, we might offer something.

Mr. KILGOUR: I would agree with you.

Mr. KNOWLES: But let me ask you another question.

Mr. MONTEITH: Why don't you get into a huddle?

Mr. KNOWLES: My colleagues in Parliament had better be well armed if you get into a huddle with me. I would like to ask one brief question about the coverage that the Canada Pension Plan will provide. I am not going to rehash all the arguments you had with Mr. Munro about the chart in the Life Officers' brief presented the other day, but I do wonder if you are aware of the figures given to us this morning by the Life Underwriters Association, when they referred to the fact that in about 25 years the Canada Pension Plan would provide retirement benefits for its maximum potential of 85 to 90 per cent of those in retirement. Would you think those would be reasonable figures that your Life Underwriters have given us?

Mr. KILGOUR: Far be it from me to challenge anybody else's brief. I am not that optimistic, but it could well be there are projections which would have many more people on the payroll.

Mr. KNOWLES: This is a group which was critical but was conservative, and even in their critical view they did admit this could happen in 25 years.

Mr. KILGOUR: I could not challenge that.

Hon. Mr. CROLL: Could I ask a supplementary to that question?

Mr. KNOWLES: Yes, go ahead.

Hon. Mr. CROLL: Following what he suggested, Mr. Myers, the actuary for the United States social security scheme, told us that after 30 years 90 per cent of their people are covered. That seems a favourable comparison. Ours is, after 25 years 85 per cent; and theirs, after 30 years 90 per cent.

Mr. KILGOUR: That is in a more industrialized nation than ours. I could not quarrel with those figures.

Mr. MONTEITH: It runs in my mind that he said 87 per cent. It may be close enough to 90 per cent not to worry.

Mr. KILGOUR: In many ways that is rather sad, when you think of a plan that took close to 30 years to mature, if it still has 10 or 15 per cent of the population out.

Mr. BASFORD: At least 5 per cent were covered under state-municipal plans.

Mr. KILGOUR: The figures were not quoted to me accurately.

Mr. KNOWLES: I was giving the Life Underwriters' figures as figures of critics, and I agree it is sad it is not 100 per cent. It is something for a plan to move in that direction though. I can not help but be concerned about the number of times you and your insurance colleagues, and others, have made the assertion that the Canada Pension Plan gives the largest benefits to the wealthy. If it is true down the line, then from my point of view we had better take another look at it.

Let me try and put a question to you about this. Does the Canada Pension Plan give any greater windfall or any greater benefit of any kind to the man earning $50,000 a year than it does to the man earning $5,000 a year?

Mr. KILGOUR: Well, it is nebulous, but the fact that his contributions are deductible means that he maybe can get 57 per cent deduction off his income tax, but it is not important.

Mr. KNOWLES: These are deductions of 79.25 a year.

Mr. KILGOUR: He can get 50 per cent off, so he only pays 39.

Mr. KNOWLES: At the other end, isn't it also true that on any pension he gets he will pay on that pension a higher rate of tax?

Mr. KILGOUR: If he remains in Canada!

Mr. KNOWLES: Basically, is it not true that for the $50,000-a-year man there is no greater benefit under the Canada Pension Plan than for the $5,000-a-year man?

Mr. KILGOUR: Yes, the top bonus is about $12,000, and it does not go up above five.

Mr. KNOWLES: And for the $10,000-a-year man there is no greater benefit than for the $5,000-a-year man?

Mr. KILGOUR: Yes, if they are in the same age group.

Mr. KNOWLES: It is true we give greater benefits to the $5,000-a-year man than to the $2,000 or $1,000, but at that point it stops?

Mr. KILGOUR: Yes, above five.

Mr. KNOWLES: This is using colourful language, to keep saying this is the kind of plan that gives the greater benefits to the wealthy.

Mr. KILGOUR: I do not use colourful language as a matter of choice, but rather as a matter of conviction.

Mr. KNOWLES: And do you think you can support that conviction?

Mr. KILGOUR: Yes, I think so, because when this plan becomes full blown in 10 years there is no question what happens to you in the 10 years is a ball.

Mr. KNOWLES: That is social insurance.

Mr. KILGOUR: It is not social insurance normally. Take these complete prospectuses the Securities Exchange puts out, and everybody looks to see what shares the president owns and what his dividends and salary were last year. If we put out a list of what everybody is going to get as a bonus over the next ten years, quite a lot of us will be getting $10,300. My gardener would be in as zero. It is plain old dollars I am getting more than I paid in, "This is a contribution from a grateful country," but I do not think a guy at the bottom is going to think so. He is going to say, "These fellows really geared the plan to suit their group."

Mr. CASHIN: Give your gardener a rise.

Mr. KILGOUR: Well, he cannot speak English and cannot read the tax form, but he is a wonderful guy.

Mr. KNOWLES: I would like to meet your gardener. Where does your gardener live—in my constituency?

Mr. KILGOUR: Yes!

Mr. KNOWLES: I would like to keep on the subject, the extent to which the Canada Pension Plan gives greater bonuses to people in the higher income bracket. You have narrowed it to the first 10 years, and I am prepared to talk in terms of 10- or 40-year periods. In terms of a 10-year period—how old are you?

Mr. KILGOUR: Fifty-two. I am just two years off the perfect age for the Canada Pension Plan.

Mr. KNOWLES: I do not know what your salary is. You know what mine is! You are, roughly, a 10-year man. You will not get any greater benefit out of this than a $5,000 person of the same age.

Mr. KILGOUR: Of the same age, no, but we both get a very handsome package.

Mr. KNOWLES: You and the $5,000-man get precisely the same.

Mr. KILGOUR: True.

Mr. KNOWLES: I am not questioning how much you make, but you are in the more favoured bracket.

Mr. KILGOUR: More than $5,000!

Mr. KNOWLES: Yes. One of your predecessors used to be one of my congregation and was a very generous giver. I am going back to C. C. Ferguson, and when I was in a certain church in Winnipeg that needed help in the depression days, he was the man to go to.

Mr. GUNDLOCK: He might be a good man to go to now.

Mr. KNOWLES: In the 40-year period the $50,000 or $100,000-man gets something out of this, but he does not get any more than the $5,000 man.

Mr. KILGOUR: Of course, the fact is those extremes are so remote in Canada.

Mr. KNOWLES: Don't they have a bearing on your contention this plan is somehow or another providing bonuses for the wealthy? I am admitting it

provides more for the $5,000-a-year man than it does for the man earning $4,000, $3,000, $2,000 or $1,000. I am also aware of the fact these differences are mitigated by the flat rate benefit they all get. That still does not wipe out the fact there is a difference, but wouldn't it be a little fairer in his kind of criticism to admit there is a ceiling?

Mr. KILGOUR: A ceiling on the benefit, though if some of these indexing figures go on over the next 20 years I do not know where the top benefit will be. I have not projected it, but it will be pretty high.

Mr. KNOWLES: I have just one other question, Mr. Chairman. Reference has been made to the fact that we had the Canadian Federation of Agriculture here yesterday and their representatives, whom we questioned quite sharply as to whether they really spoke for the farmers, did make it clear that the farmers wanted a compulsory plan. They had some criticism about the plan. They think that people who cannot contribute on the first $600 should get credit for it in any case.

You saw some press reference to this. However, do you not think that there is some validity to the fact that the Canadian Federation of Agriculture thinks that these premiums can be collected? These questions were put to these people yesterday and they stated that the compulsory plan is a good one. Does this have any bearing on your contention that these premiums cannot be collected from the farmers of Manitoba?

Mr. KILGOUR: I would offer the judgment that I would think that they are optimistic on this, and again I use the illustration, Mr. Chairman, in my brief that the fact that the only province that I can think of that successfully collects premiums from farmers in great numbers is using municipal machinery and not just sending out bills. They are using municipal machinery and sending out tax bills.

Manitoba and Saskatchewan have both used municipal machinery and have put it on a tax bill; otherwise the farmer just tells you where to put it. But if you put it on his tax bill through having the municipality collect it you can collect it. So that I think the probability of collecting premiums from the Manitoba farmers who constitute a very high percentage of the farmers in Canada has to be discounted heavily if any experience we have up to now counts.

Mr. KNOWLES: Would you admit that in the public mind there might be some difference in their attitude towards hospital premiums and pension premiums? People like hospital coverage, but they all hope that they will not go to the hospital. But are people not generally interested in pensions and this kind of security? Is there not likely to be a slightly different attitude in this respect?

Mr. KILGOUR: That would have to be a matter of judgment and a matter whether one wants to make a tax return, and perhaps when you actually add up your disbursements it might be different. You might have lots of taxes to include in the plan.

I don't know, but I would not impute motives to anybody.

Mr. KNOWLES: I thank Mr. Kilgour for his frank answers to my questions.

The CHAIRMAN (*Mr. Cameron*): It is 10 after 10 and I have several people wanting to ask questions, and I would like to ask a couple of supplementary questions myself. I was somewhat disappointed that you did not come out with an alternative plan, having turned down a wage related scheme. Why did you not give us an alternative plan? I think that is what Mr. Knowles was trying to obtain from you.

Disregarding the cost features, what would your all-over alternative be to this plan? Secondly, what would happen to the man who is getting $1,250 a year? What would be his pension out of this plan, and let us say that he is in the 50 per cent and upwards tax bracket. What would happen to his benefits, his $1,250?

Mr. KILGOUR: I am sorry, Mr. Chairman, but I don't understand. Do you mean the $104 a month?

The CHAIRMAN (*Mr. Cameron*): What would happen to it taxwise?

Mr. KILGOUR: Well, of course, again, if he is retired he can—

The CHAIRMAN (*Mr. Cameron*): I am talking about the man in the 50 percent and upward bracket. You mentioned that in one part of your answer to Mr. Knowles, and I would ask you what would happen to the man who gets $1,250 and his income tax is in that bracket.

Mr. KNOWLES: Yes, over 55 and his earnings—

Mr. KILGOUR: I think he would start to give his money to his children to reduce his tax bracket.

The CHAIRMAN (*Mr. Cameron*): Would he not be paid $600—

Mr. KILGOUR: He may not be in that bracket after retirement. We accept that he would not be. The retired person can adjust his circumstances.

Mr. LLOYD: Within limitations.

Mr. FRANCIS: Mr. Chairman, I was listening to Mr. Kilgour's remarks on the experience of collecting personal premiums. Perhaps I misunderstand Mr. Kilgour at this present time, but do I understand him to say that the only province having success in using municipal machinery to collect premiums is the Province of Manitoba? Take the Province of Ontario, for example. Is he suggesting that they are not successful, that their collection experience is—

Mr. KILGOUR: No, in fact, I would be interested in that province. I should say that the only one I am thoroughly familiar with is Manitoba, but is Ontario receiving a higher percentage from people in the outlying areas?

Mr. FRANCIS: To the best of my knowledge, Mr. Chairman, there has been no criticism directed at them.

Mr. KILGOUR: I don't think criticism has, but if I recall my figures—and I am speaking from memory—there are some 600,000 people in Ontario who have their premiums paid by the Department of Health and Welfare in the Province of Ontario.

Mr. FRANCIS: Well, there are many people on categorical welfare in the Province of Manitoba also. Is the situation different? There is bound to be this number also.

Mr. KILGOUR: If you pick up all the people in rough who pay payments through the Department of Health and Welfare you will realize that you don't have the problem of collecting premiums from them.

Mr. FRANCIS: Perhaps there is no point in pursuing this further.

Mr. KILGOUR: Ontario is a highly industrialized province as well, but they have a great number for whom premiums are paid.

Mr. MONTEITH: Well, anybody with a supplementary allowance has premiums paid.

The CHAIRMAN (*Mr. Cameron*): Mr. Côté.

Mr. CÔTÉ (*Longueuil*): Mr. Kilgour, in your brief, and in your statement, you seemed very concerned that some people that are now over 70 or who retired after the age of 65 would not get any benefits because they would be too old and would not be able to participate in the plan, even if the plan is a

contributory plan. Are you also concerned with the large percentage of Canadians who are now in the labour force who do not have a chance to be covered by a pension plan?

Mr. KILGOUR: Yes, I am.

Mr. CÔTÉ (*Longueuil*): This will be a great help to that part of the population.

Mr. KILGOUR: Providing they can be brought in as contributors.

Mr. CÔTÉ (*Longueuil*): That is what I am talking about. I am talking about the working group.

Mr. KILGOUR: I believe the group that you refer to would be people who are working at several occupations during the year. Now, I don't claim any personal knowledge of the Proivnce of Quebec, but I think there would be a great many people from whom it would be hard to collect premiums.

Mr. CÔTÉ (*Longueuil*): To come back to the first category of people I was talking about, those who will be too old to participtate in the plan, is it a practice, when a firm introduces a pension plan for its employees, that it brings in employees who have worked there and are already retired? Do they bring them in and give them benefits under the new pension plan or are the employees who are already retired left without anything? Do they get any benefits from that plan?

Mr. KILGOUR: I am afraid I don't quite follow you.

Mr. CÔTÉ (*Longueuil*): I am talking about the contributory plan.

Mr. KILGOUR: I am afraid I cannot give a categorical answer on that, but a great many firms which have not had pension plans have been doing something, either keeping people on the payroll or doing something for their retired people who had no pension. Some may just turn them out, though.

Mr. CÔTÉ (*Longueuil*): There are no benefits from the new pension plan, though.

Mr. KILGOUR: Some of them do set up provisions and keep retired people on the payroll even though they are away past the age at the time they do it, but it depends a lot on the community and industry.

Mr. CÔTÉ (*Longueuil*): Most of the plans introduced now—

Mr. KILGOUR: They cover past services for present employees.

Mr. CÔTÉ (*Longueuil*): For the persons employed, but not for the ones who are retired already.

Mr. KILGOUR: That would be unusual, but some may.

Mr. CÔTÉ (*Longueuil*): But most of them do not.

Mr. KILGOUR: No, that would be true, sir.

Mr. CÔTÉ (*Longueuil*): Do you think that this is the same kind of plan because it is a contributory plan, and that we should give benefits to people already retired?

Mr. KILGOUR: Mr. Chairman, I think in reply to that I would have to express a view like this, that there have been industries that have turned out old people without a pension. I do not regard it as admirable, but they have done it, and they have left those people as a social problem in Canada. I do not think a government should adopt the harsh attitude that because somebody is over a certain age we ignore them. I call that a rather brutal attitude on the part of industry, if there is such an instance of where they just ignore people who retired last year or the year before with no pension. They just fire them and let them go. I regard that as a fairly rough attitude towards those people, but when a government adopts the same attitude then I would think it is infi-

nitely rougher because we know they have been cast off by industry without any provision. I think the Government must pick up the group that has been kicked around.

Mr. CÔTÉ (*Longueuil*): But not through the funds of this contributory plan. That should be done through other funds such as the Old Age Security Fund.

Mr. KILGOUR: Frankly, I regard it all as money that the Government is receiving in and paying out. Even if the benefits are not related to the contributions in any way that you can understand it is the question of the Government taking in money and paying it out, and you have to accurately determine that you are taking in enough.

The CHAIRMAN (*Mr. Cameron*): Mr. Gray?

Mr. GRAY: Thank you, Mr. Chairman; I shall be very brief. Mr. Francis raised an interesting point. If in Manitoba and possibly in Ontario the Department of Welfare, or whatever it is called in the respective provinces, pays the premiums for hospital insurance for large numbers of people, is this not a solution to the problem of collecting for those at the lowest end of the spectrum?

Mr. KILGOUR: Do you mean they should pay their pension premiums too?

Mr. GRAY: Is not that a possible solution to that portion of the problem?

Mr. KILGOUR: Well, I heard that suggested by one man. I thought he was being facetious. He said it would pay a province to take on its welfare cases as consultants and pay the Canada Pension Plan contributions so that they would get the maximum benefits within ten years. I thought it was a facetious remark, but for the next ten years it might be quite lucrative, if you did not close it up in some way.

Mr. CASHIN: It would solve the problem. That is an idea.

Mr. GRAY: Let me ask you another question arising out of your exchange with Mr. Knowles about a bonus. Mr. Knowles indicated his belief, with which you agreed, that the bonus actually does not increase with people earning over $5,000; it remains the same. I gathered from the question asked by the chairman that the bonus would, in fact, decrease as incomes increase because of the greater income tax being paid.

Mr. KILGOUR: That is true. If a man has a retirement income that is much higher than somebody else's he will pay a higher income tax. He could conceivably divest himself of some of his other income, but on the other hand he gets a better deduction on his contributions on the way in. I think the point is correct, but the absolute amount of money that is paid him every month by the Government is a substantial bonus. I agree with Mr. Knowles, that it does not increase any more for the man earning $25,000 than for the man earning $5,000.

Mr. GRAY: In an earlier exchange I understood you to say that two-thirds of the farmers do not have taxable incomes. Do you mean that before or after taking into account basic deductions and exemptions?

Mr. KILGOUR: My Statement on that—and I regret I cannot document it tonight in as reliable a manner as I would like, but there are two sets of figures that are vailable; one is the number of farmers who turned in income tax returns in the various provinces. Again, I am speaking from recollection tonight, but I think that for the Prairie provinces it was about 32 or 33 per cent, and in one province it was down to a low of about 24 per cent. I am sorry for not having the Quebec and Ontario figures, but I think they were lower.

I recall a remark made by Mr. Sauvé in which he said 177,000 farmers in Canada do not have gross incomes of as much as $2,500. If you do not have a gross income, and you are married and have some children, I do not know how you figure out your net. I suspect these people cope the best they can throughout

the year, and hope they have got by, and I doubt if any one could make out an income tax return showing that they had $600 a year net cash at the end of the year. I do not profess to be an accountant, but I suspect that there has been enough family labour go into the farm—

Mr. MONTEITH: The accountant's training thus far is to bring them down low.

Mr. KILGOUR: I would think there would be relatively few that could from their own records and expenses show returns that would require contributions.

Mr. GRAY: Of course, they do not all have accountants like Mr. Monteith, though.

Mr. KILGOUR: I am sure they do not. My submission is that in the main these people will not be caught by either the strain of either employer-employee deductions or the strain of income tax deductions.

Mr. GRAY: Perhaps we can compare this with one point you make in your brief, where at page 16 you say:

> Reviewing another collection machinery, the income tax system, one finds that in 1962 225,234 Manitobans had taxable incomes.

Is that the number of people filing returns in that employment category?

Mr. KILGOUR: That is all Manitobans, and that is out of labour force of—I have the figures at the back. In 1962 there were 569,000 Manitobans of 18 years of age or older of whom only 225,000 filed income tax returns. There were 364,000 who were qualified as family heads or single persons responsible for insurance, and out of these only 225,000 had taxable incomes in 1962.

Mr. GRAY: That does not mean that there was not a somewhat larger number who did not file returns?

Mr. KILGOUR: Oh, no, but let us say they did not have an income. I am not going to impute their honesty.

Mr. GRAY: But it is quite possible that a larger number filed returns who did not have taxable incomes but who earned enough to be covered by the pension plan?

Mr. MONTEITH: It is an income between $600 and $1,000.

Mr. KILGOUR: This, I admit, Mr. Chairman, is complete conjecture. A married man with four children may have had a cash income of $800. He may have spent it in supporting his family. Up to now we have allowed him to. Under this provision he may be persuaded, and there are some hard provision in the act, but I do not know how hard the tax department would be disposed to go with respect to these people. He may be persuaded to put in his return and pay his contributions.

Mr. GRAY: I have just one or two final points with reference to a very interesting portion of your brief at page 18 headed "Underlying Philosophy". You criticize the Canada Pension Plan by saying:

> It places a final seal of approval on a completely mercenary appraisal of the individual's contribution to society. Money earned no matter how, determine the individual's benefits. Whatever one deems to be the least worthy occupation will afford a higher pension than the most worthy occupation if one earns more money in its pursuit.

Are you suggesting in this that it might be possible to create some system of old age security giving higher pensions to people who by some standards are deemed to have more worthy occupations?

Mr. KILGOUR: No. I admit that when I wrote that particular sentence I was thinking of some amusing instances—in fact, I was recalling a case that was

before the Exchequer Court in Vancouver. We do not give a married woman anything for all her work. She is for the birds. She can work 40 years raising a family and get not one dollar of benefit under the Canada Pension Plan, but if a person earns some money in whatever you, in your wisdom, determine to be a useful or worthy occupation, that person gets a big benefit.

Mr. BASFORD: Be careful, Mr. Kilgour. You are speaking of a former client of mine.

Mr. GRAY: This is not the time to probe into a solicitor-client relationship.

Mr. KILGOUR: That is why I said "If one chooses".

Mr. GRAY: I gather that in spite of this concept your firm does not hesitate to sell private pension coverage to anybody who has the money—

Mr. KILGOUR: Good heavens, neither does a broker. Here the Government seems to be saying to one person: "Out of this fund we have collected you can have so much", and to another person: "You can have nothing". There is quite a difference.

Mr. GRAY: You are suggesting that it is all right for people in private enterprise to be completely mercenary, but this is not a concept you would accept in any way in government?

Mr. KILGOUR: I am unhappy to see a plan in which, for example, married women—I feel strongly about this—do not get a nickel for having contributed importantly in running a farm or a house over heaven knows how many years. They do not get one cent out of the Canada Pension Plan unless they go into the labour market, and compete with their children.

Mr. GRAY: I have one final point. Would you bring this principle into the computation of incomes before retirement?

Mr. KILGOUR: Quite frankly I am very much in favour of the United States system where a married couple can divide their income.

Mr. GRAY: What I am driving at is this; you feel there is something intrinsically wrong with somebody getting a higher pension whose occupation before retirement is not as socially desirable as someone else's.

Mr. KILGOUR: That is a minor point. I put it in to illustrate that we are prepared, no matter what you earn or how you earn it—if you earn dough you get a big pension from the Canada Pension Plan, but if you are a wife and a mother you get zero. Now, that is an interesting proposition, and not one that I would write into social legislation.

Mr. GRAY: But it is all right in private business?

Mr. KILGOUR: We give people what they pay for, and so does a store.

Mr. GRAY: I hope you will urge some responsibility in private business also, as do many leading executives.

Mr. KILGOUR: In terms of responsibility in business, many businesses today are trying hard to exercise their social responsibility. I have nothing but dissatisfaction to express for those who brush them off. I would be sorry to see Government brush them off in a manner equally subject to criticism but more so because Government is a body which presumably speaks for businesses which cannot speak for themselves.

Mr. GRAY: I disagree with the word "equally" but I have finished my questions.

Mr. MACALUSO: On page 3 of your brief you state:

> ...would be completely contrary to our national interest, and incompatible with the ideals and concepts of social justice which should guide social legislation.

From reading your brief and hearing you twice before this committee I might have some idea of your philosophy but I would be interested as to what your philosophy is, as to what should be "the ideals and concepts of social justice which should guide social legislation".

Mr. KILGOUR: I think I give a reasonable illustration when I refer to the death benefit. I use the illustration of wealthy man and a farm labourer killed in an accident where the wealthy man can get $168 a month for his widow and whereas the farm labourer's wife will get zero. Under my idea of social justice both might get $50 a month, if you have a carte blanche scheme, or you could give more if there is no other resource.

Mr. MACALUSO: It is equality for everyone?

Mr. KILGOUR: Or more at the bottom.

Mr. BASFORD: You mention that your brief is based on 32 years of observation of social legislation and you have your underlying philosophy. I have a speech in front of me—and I will not try to trick you as Senator Croll tried—to the Dauphin Council of Women, of February 25, 1957, relative to the subject of national hospital insurance. On page 1 it says:

> I speak only as a Canadian who knows quite a lot about the subject—

That is, hospital insurance—

> and I have only one axe to grind, and, that is to see that the facts get some circulation before Canada makes what I believe to be a gigantic blunder, under political heat.

You refer to the proposed national hospitalization scheme as a gigantic blunder, for many of the reasons you are raising against the Canada Pension Plan, namely, that it will cover only part of the cost and cover only part of the population, etc. Are you still, with regard to hospital insurance, sticking with that statement?

Mr. KILGOUR: Obviously that speech was a bit too long for you to quote other than one extract. I felt there were many better measures than the one being put in at the time by the federal Government enacting the bill and requiring all provinces to come in willy nilly. That was the character of that legislation, if you recall. The other thing I put in was that "immediately after this will come state medicine".

Mr. KNOWLES: As a matter of correction, was it a requirement, was it not optional?

Mr. KILGOUR: Yes. The federal Government, out of taxes taken from the whole of Canada, was paying half to the provinces that had a plan, if a province did not have a plan it got zero. You could fairly say it was the greatest pressure play that ever existed on the Canadian political scene. We saw Quebec as the last that would come in. I unqualifiedly say today there could have been infinitely less costly measures put in, more efficient measures than the carte blanche measures we have today. It may be popular, but it is producing incredible pressures on every provincial budget. We have people overstaying their hospitals. Some day, many provinces will be seriously re-appraising their whole hospital scheme, to find a better answer than that universal one adopted at that time. I do not apologize for what I said then, and it was not from any lack of social assistance.

Mr. BASFORD: Without being facetious, I have a great deal of respect for your ability, but I feel that if your objection to the Canada Pension Plan is based on the same sort of philosophy that objected and still objects to our hospitalization fund, I have very little hesitation at all in opposing your submission.

Mr. KILGOUR: If you want to go back to Manitoba, where 78 per cent of the people are already covered under Blue Cross, the problem remains of 22 per cent of the people there who have to be dealt with. There would have been a far better way of handling the 22 per cent, I again respectfully suggest, than by paying the whole bill. Manitoba is having an acute number one problem today on that score alone. One has to read the whole picture.

Mr. BASFORD: I have read your speech three times.

Mr. KILGOUR: Thank you very much.

Mr. KNOWLES: I wonder where you would stand on medicare?

Hon. Mr. MCCUTCHEON: You will not have to worry about that, after you pay for this plan.

Mr. BASFORD: That is good for the record.

The CHAIRMAN (*Mr. Cameron*): On behalf of the committee, I thank you for your attendance tonight, for the splendid and clear brief you presented to the committee and for your willingness in answering questions and generally for your cheerful and optimistic personality. We have enjoyed very much hearing you and I can assure you that what is contained in your brief and what you said will receive the serious consideration of this committee.

Mr. KILGOUR: Thank you very much.

APPENDIX A19

SUBMISSION
OF
THE EXECUTIVE COUNCIL OF
THE CANADIAN CHAMBER OF COMMERCE
(December, 1964.)

INTRODUCTION

The Executive Council welcomes the opportunity accorded by the establishment of your Committee to submit its views on Old Age Security and the Canada Pension Plan.

The Canada Pension Plan, because of its far reaching implications, is perhaps the most significant piece of legislation presented to the Canadian Parliament in a number of years. It cannot be looked upon merely as a social security measure. The very fact that it has gone through so many versions not only attests to the constitutional problems, but serves to emphasize the economic implications involved. Economic decisions for years to come will be influenced by the type of pension legislation that will be finally enacted by Parliament. It could create a new relationship between the volume of savings and consumption and have a marked effect on the investment pattern of Canadian capital which in turn could be a major determinant in the rate of long term economic growth.

We note from the statements of the Prime Minister that the Committee has full power to hear the advice of interested organizations and to make recommendations of principle as well as detail concerning a pension plan including the recommendation, if it so wishes, that the plan as proposed should be fundamentally revised. We also have received a similar impression from reading the Minutes of Proceedings and Evidence No. 1 of this Committee when the Minister of National Health and Welfare was discussing the same issue before this Committee.

Development of Chamber's Position on Social Security

The Chamber's Policy Statement states that sustainable social betterment depends on healthy competitive enterprise. The statement also provides that one of the roles for Government is to foster an equitable and a favourable climate for the private sector enabling it to utilize its resources, both human and material with the utmost efficiency; the greater the efficiency in such utilization the better able is this sector of the economy to contribute to the improvement of the nation's social environment. A thriving and growing economy provides the underlying guarantee for all social security advances.

The Chamber has consistently and traditionally supported a sound social security program. The first sentence of the Chamber's approved policy on Old Age Security states: "Security for Canadians after they have passed their working years is of vital concern to individuals and to our economy as a whole. All Canadians should be able to retire with adequate provisions for their post-working years." The social responsibility of business goes hand in hand with the responsibility to develop and make use of improved technology in the continuing effort to improve the living standards of all citizens.

In 1950 the Chamber appeared before the Joint Committee of the Senate and the House of Commons on Old Age Security and proposed a basic universal pension at age 70 without a means test, to be financed on a contributory pay-as-you-go basis out of current revenue or income, rather than through some type of funded reserve. The structure of the present Old Age Security legislation basically conformed with the terms of the Chamber's recommendations.

(See Appendices No. I, II, and III for summary of Chamber Submisison to Joint Committee in 1950 and selected policies on Old Age Security.)

In the present submission, we shall offer constructive suggestions on Bill C-136 for the further development of social security measures. We feel that our greatest contribution lies in presenting to this Committee those facts which have been gained from extensive financial, commercial and industrial experience. We do this in the hope that the plan your Committee is studying will be developed to meet the true human needs of retirement years, simultaneously maintaining the continued growth of the productive elements of our economy, and with the least disruption to the private sector of our economy.

Much of the following analysis is aimed at a discussion of the weaknesses of the proposed pension plan. We recognize that the plan contains good features, such as (*a*) the provisions for portability, (*b*) the provision of benefits to widows, orphans and disabled citizens, (*c*) the provision of retirement benefits for those under 70, (*d*) the proposal of the contributory principle, and (*e*) pensions that will be uniform regardless of geographical considerations.

Elements of the Proposed Plan which Merit further Analysis and Reconsideration

We do raise a number of questions on the current pension proposals designed to take care of the retirement needs of all Canadians under the following headings:

(1) The Canada Pension Plan should be considered in the light of Canada's total needs and its effect on other priorities should be recognized.

(2) The Canada Pension Plan does not provide for those Canadians who are now aged, orphans, widows and disabled.

(3) The Canada Pension Plan directs the greatest benefits to those who need them the least and lacks universality.

(4) The indexing of pensions can have far reaching inflationary consequences.

(5) The consequences of the development of a large pension fund provided by the Canada Pension Plan on the availability of Canadian capital for the producing sector of the economy should be recognized.

(6) Features incorporated in the proposed plan complicate integration of existing private plans with the Canada Pension Plan.

(1) *The Canada Pension Plan should be considered in the light of Canada's total needs and its effect on other priorities should be recognized.*

The Canada Pension Plan ought not to be considered in isolation. In addition to the current proposals for pension payments, there are the recommendations made in the Report of the Royal Commission on Health Services. The total bill for the Federal Government for health care by 1971 is estimated by that Commission at approximately $2\frac{1}{4}$ billion. The brief presented by the Canadian School Trustees Association to the Royal Commission on Taxation shows on page 24 that expenditure requirements for formal education in

Canada, in terms of constant 1957 dollars, will rise from $1.7 billion in 1961 to $3.3 billion in 1971 and to $5.5 billion in 1981. As a percentage of GNP, this is a rise from 4.8% in 1961 to 6.5% in 1971 and 7.2% in 1981.

Social welfare expenditures have been rising both in terms of previous Canadian experience and in terms of comparison with other countries as evidenced by the following table drawn from information derived from the Department of National Health and Welfare.

Government Expenditures on Health and Social Welfare as a Percentage of National Income

	United States	Australia	Canada	United Kingdom	New Zealand
1949-50	5.5	7.3	8.0	11.9	13.2
1958-59	7.6	9.2	11.1	12.2	13.3
1959-60	7.6	9.0	11.3	12.4	14.5
1960-61	8.4	9.5	12.2	12.4	14.5
1961-62	8.5	10.3	12.7	12.6	14.6
1962-63[a]	8.6	10.1	12.5	13.0	14.0

[a]Figures for 1962-63 are preliminary.

It is a matter of concern that according to projections made by the Royal Commission on Health Services, all expenditures by governments in constant (1957) dollars will rise from approximately $11 billion in 1961 to $20.2 billion in 1971 and to approximately $55 billion in 1991, where at that level they will amount to 41.5% of the Gross National Product.

In an editorial in the Canadian Tax Journal published by the Canadian Tax Foundation for July-August, 1964, the need for priorities is set out. The editorial states, "The most important result to date of the Report of the Royal Commission on Health Services . . . has been to rivet attention on the long standing need for Canadians to set an order of priorities for their goals of human betterment and improved standards of living." The editorial concludes with the words, "It is not unlikely that a poll of knowledgeable Canadian opinion at this time would list education, health, and pensions in that order of priority—the opposite to the order which appears will develop if present trends continue."

The same point has been registered by the Premier of Manitoba in an exchange of correspondence with the Prime Minister last summer when he said, "Canadians generally want better pensions. We believe that Canadians also want better health services. Above all, we are certain that they want better education for the young. How can we best phase these competing demands into the taxpaying capacity of our people? We simply cannot afford to deal with each project separately. It is imperative that we relate at least these three priorities to one another and to the national tax base before irrevocable action is taken."

The matter of priorities among Government expenditures was the subject of a public statement by the Canadian Chamber following its Annual Meeting in September of this year, urging the federal and provincial governments to co-operate in establishing priorities with respect to government expenditures in the fields of education, old age security, health and other programs affecting the public sector of the economy.

The Chamber firmly believes that progress must be made in all these areas, but that we cannot fully accomplish all these objectives simultaneously, and therefore should set priorities in expenditures based on four principles:

(1) Most urgent needs must be met first.

(2) The freedom and initiative of individual Canadians must not be destroyed.

(3) The planning of expenditures must be made on a long-term basis.

(4) Ability to pay must be determined so as not to impede the growth of the economy and its capacity to create employment.

(2) *The Canada Pension Plan does not provide for those Canadians who are now aged, orphans, widows and disabled.*

The Canada Pension Plan is said to be designed to extend social insurance to people in retirement, to widows, orphans and the disabled.

Upon examination, however, a number of exclusions in coverage become apparent. The Canada Pension Plan will provide no benefits to any person aged 69 and over as of today. Persons who today are aged 64 and are required by the terms of their employment to retire at age 65, will receive no benefit; persons today in the age bracket 54-63 will receive only partial benefit, if required to retire at age 65. Persons who are widowed prior to January 1st, 1969, will not benefit. Today's orphans will receive no benefit. Persons who are presently disabled will obtain no additional benefits under the Plan.

In fact, benefits are selectively granted only to contributors or their dependents. The Plan excludes all persons who lack access to current labour income either directly or as dependents, and will continue to exclude these persons as long as the lack of access to earnings continues.

The fact that the Canada Pension Plan does nothing for these categories of Canadians will inevitably create pressures for benefits to them, particularly as a large fund will be developed through the Pension Plan. This should be recognized now and dealt with accordingly.

(3) *The Canada Pension Plan directs the greatest benefits to those who need them the least and lacks universality.*

The current Canada Pension Plan proposal has been characterized as "upside-down welfare" because it would provide the least help or no help at all for those who require Government help the most. The following table demonstrates that the bigger unpaid-for benefits or windfalls in the proposed Canada Pension Plan would go to the higher-paid workers.

	Example 1	Example 2	Example 3	Example 4
Worker's monthly wage or salary	$ 417	$ 417 at outset rising with contributory ceiling under plan	$ 200	$ 200 at outset rising 2% a year compounded
If worker is 55 at the outset of the program and retires at 65				
1. Worker and employer pay	1,940	2,085	794	887
2. This pays for a monthly benefit of	11.5	12.4	4.7	5.3
3. Proposed Canada Pension Plan benefit	113	121	54	59
4. Monthly benefit not paid for	101	109	49	54
5. Windfall at retirement, i.e., value of unpaid-for benefit	16,989	18,335	8,242	9,083

Line 1 assumes a contribution rate by employee and employer of 3.6% compounded at 4% interest or 10 years.

The benefits are based on current Government Annuity rates adjusted to provide for widows' benefits and post-retirement price increases.

The Canada Pension Plan lacks universality. Migratory and casual workers are excluded. Workers in agriculture, horticulture, fishing, forestry, logging and lumbering who do not spend at least twenty-five working days a year with the same employer, and who do not earn at least $250 a year from the same employer, will not be covered under the Plan.

Casual workers, such as grass cutters, snow shovellers, part-time cleaning help will not be covered. There will be no benefits for persons earning less than $600 a year.

(4) *The indexing of pensions can have far reaching inflationary consequences.*

The Canada Pension Plan proposes to use an index to determine pension benefits. This proposal has significant implications including the almost inevitable eventual demand for indexing other Government commitments, e.g. Canada Savings Bonds. In Sweden, where indexing of graduated pensions was introduced in 1960 a Government study group recently recommended that the Government (to be consistent) give consideration to the indexing of Government bonds and other obligations.

Indexing would, in effect, insulate privileged sections of the community from continuing inflation. In the United Kingdom, the Joint Committee of the Institute of Actuaries and the Faculty of Actuaries set out the problem in January 1958, when they stated, "Inflation—which it is the business of government to prevent or minimize—causes hardships to many and to attempt to exempt any one section of the community its consequences is to overlook the just claims of others. An automatic adjustment in relation to a rising price level, if accorded by the state to one group, would doubtless then be claimed by other groups; but even if it could be limited to a proportion only of the population, it must. . .itself have an inflationary effect. It would tend to perpetuate or even aggravate the malady it sought to alleviate."

(5) *The consequences of the development of a large pension fund provided by the Canada Pension Plan on the availability of Canadian capital for the producing sector of the economy should be recognized.*

The main concerns about the building up of a state fund are as follows:

(1) Compulsory savings will be collected placing in the hands of governments investment capital secured without resorting to the normal money markets, thus circumventing the guiding and controlling influence exercised by market forces of supply and demand, price and available capital, which is an important element in making the competitive enterprise system effective.

(2) There will be a diminution of sources of private capital with the resulting shifting of functions from the private to the Government sector of the economy.

(3) Investment decisions in the hands of state agencies undoubtedly must be influenced by political considerations as distinct from economic considerations.

(4) Funding on the scale proposed under a nation-wide plan will be a compulsory, non-discretionary form of saving enforced by the state, the impact of which will fall more heavily on those in the lower income groups.

(5) The accumulation of a state fund coupled with no actuarial relationship between amounts collected and benefits distributed, provides a source of undesignated money which cannot fail to encourage demands from many quarters for its disbursement.

(6) The additional costs arising from the current pension proposals will add their contribution to making our competitive position at home and abroad more difficult. The additional amounts collected will certainly affect those firms with a high labour content and can be expected to be reflected in the prices of goods and services.

We quote from Professor William Hood, Professor of Economics at the University of Toronto and recently appointed advisor to the Bank of Canada, in addressing the Canadian Political Science Association and the Canadian Association of Law Teachers this summer. "The withdrawal of funds from the private sector to the government sector will impair the growth of large aggregations of capital in the private sector... I am concerned that the reduction in the growth of saving in the private sector, by adversely affecting the accumulation of large blocks of capital, may impair the ability of the private sector to undertake large scale capital projects essential to productivity growth."

(6) *Features incorporated in the proposed plan complicate integration of existing private plans with the Canada Pension Plan.*

In a 1963 survey by the Federal Department of Labour, in establishments in Canada employing fifteen or more employees, 77% of the employees were in firms with private pension plans. The private plans are geographically somewhat uneven in their distribution but according to the Ontario Pension Commission, 63% of the paid workers in the Ontario labour force are working for employers who have pension plans in effect.

With respect to the problems of integration, there is the major problem that the indexing of pension benefits in the Canada Pension Plan renders well nigh impossible the integration of private fixed-benefit plans with an unknown scale of future Government benefits.

Every time the benefit scale of the Canada Pension Plan is liberalized, many private plans will have to be adjusted. The short transitional period of ten years together with the $600 earnings exemption in the Canada Pension Plan adds to the difficulty of integration.

In effect, for a majority of employees and employers the Government is proposing to take over the area of pension coverage under the first $5000 of annual income. It is clear that the Canada Pension Plan should provide for relief from duplicate coverage on the part of both employee and employer in this area of pension coverage in which the Government has decided to supersede private action.

RECOMMENDATIONS

We believe that within your terms of reference your Committee must decide whether the further development of our country's social security system should conform to the principles contained in Bill C-136 or whether further development should follow the principles of universal coverage through suitable modification and reformation of the Old Age Security Act in the light of present day needs and resources. With either course, we urge that the Committee give thorough consideration to the examination of the priorities of needs in this country.

If it is the decision of the Committee to accept the principles of Bill C-136 departing from the concept of universal coverage we make the following recommendations:

(1) That the maturity period be lengthened to facilitate the problems of integration with private pension plans;

(2) That the principle of indexing of pensions be not adopted;
(3) That the contributions to be funded in the hands of state agencies should be kept separate, that they be annually reported on and that the monies collected from employees and employers be considered as being held in trust in the same manner as monies held under private pension plan;
(4) That the Canada Pension Plan Advisory Committee include economists, actuaries and personnel drawn form the financial community.

If it is the decision of the Committee to examine alternatives to meet the social objectives of Bill C-136 and to include those groups which are not covered in Bill C-136 and to which we have referred in our brief, we suggest that these objectives could be achieved through suitable modification and reform of the Old Age Security Act. This approach to achieve current social security needs of our country which cannot be met through private initiative was adopted by The Canadian Chamber of Commerce at its Annual Meeting in September of this year. It was recommended that the Federal Government should adjust the present Old Age Security Plan considering particularly the following groups: persons who retire before age 70; widows of pensioners; persons of very advanced age; couples with a large age spread between man and wife; and other survivors and disabled persons.

That all Canadians should be able to retire with adequate provision for their post-working years is an objective on which all will agree. We hope the questions we have raised concerning the present provisions in Bill C-136 will assist your Committee in achieving changes to effect this objective.

Annex I

BUSINESS ORGANIZATIONS

The Canadian Chamber of Commerce

The recommendations of the Canadian Chamber of Commerce were prepared by the Executive Council which was unable to submit them for the approval of its members, because there was to be no annual meeting of the Chamber prior to termination of the Committee's hearings.

The Council recognized a growing public demand for increased measures of old age security and suggested that, if the Canadian people are willing to meet the cost, a universal basic pension of $30 a month be paid without means test to all Canadians aged 70 and over. The pension proposed by the Council should be administered by the federal government and financed from current revenue. No specific proposal was made as to how the amount required to finance the program should be raised, but is was suggested, in testimony, that both direct and indirect taxation should be employed.

While concerned about the present high taxation level, the Council stated that if there is a general desire for universal pensions, ways and means for its implementation should be explored. However, because of the present budgetary position, increasing defence costs, the effect of foreign trade on domestic prosperity, and uncertainty as to the extent to which the Canadian people are able and willing to meet the costs of old age security, the Council suggested that any plan adopted at this time should be of an exploratory nature, especially in view of the tendency of expenditures of his kind to increase over the years, and to become a fixed and rigid recurring cost.

Noting that security may be attained through individual savings, insurance or employee pension plans, and voluntary welfare and assistance services, as well as through state financed plans, the Council expressed the view that whatever program is adopted should be so designed as not to discourage thrift, personal incentive or the individual sense of responsibility

to provide against those risks that can be met personally. The Council considered that any integration of the various industrial retirement schemes with the proposed universal pension program should be left to the choice of industry.

Universal Basic Pension

Amount of Pension. In proposing a $30 monthly pension the Council had in mind the spending of between one and two per cent of the national income. While it was admitted in testimony that a $30 pension was low, the Council expressed the belief that revenue to finance a higher pension could not be raised, taking into consideration the present budgetary position, rising defence costs, uncertain foreign trade conditions, and existing high levels of taxation. However, it emphasized that the amount proposed is tentative and exploratory, and could be reviewed after a period of administrative experience. No future decrease in the proposed $30 pension was contemplated by the Council.

The basic pension recommended by the Council was envisaged as a basic minimum, the payment of which by the federal government would not exclude the possibility of supplementation by provincial governments.

Age Requirement

The Council, in recommending a basic universal pension at age 70, had in mind that the cost of universal pensions below that age would mount alarmingly. In considering the ageing of the population and increased life expectancy, one witness particularly emphasized the older persons should remain in productive employment, even up to age 70 and beyond, and stressed the important responsibility of business and industry in this regard.

No recommendations were made concerning persons below 70 years of age, except that they should be given every encouragement to continue in productive activity. The problem of destitute and incapacitated persons in the age group 65 to 69 was recognized but, as was pointed out in testimony, the question of incapacitation was considered beyond the scope of recommendations with respect to old age. However, one witness suggested that incapacitated persons below 70, or even 65 years, might receive assistance on a means test basis, if funds were available.

Means Test

The Council recommended the abolition of the means test in order to encourage elderly persons to continue contributing to the productive capacity of the country. It considered the test to be discriminatory, to penalize the thrifty and to tempt persons to make false declarations of income in order to secure the maximum benefit. A precedent for the payment of benefits without test, it was pointed out, had been established under the Family Allowances Act.

Financing the Program

The program proposed by the Council would be financed out of current revenue, specifically raised and earmarked for the payment of pensions. The council argued that payment of the proposed pension should be viewed as a redistribution of the national income, and should be financed on a contributory pay-as-you-go basis out of current revenue or income, rather than through some type of funded reserve. The organization pointed out that any plan operated by the government under a funded arrangement, particularly where an individual's contributions are credited to his account, would be open to the danger of high administrative costs, and that a large fund might be uneconomically accumulated. No recommendation was made as to the specific tax measure by

which the necessary revenues could be obtained but, since the Council expressed the belief that all Canadians should contribute out of current income, it was suggested, in testimony, that both direct and indirect taxes might have to be levied.

Administration

The Council proposed that the program be administered by the federal government.

Annex II

EXTRACTS FROM 1961-62 POLICY STATEMENT

The Canadian Chamber of Commerce

Old Age Security

There is a need in our modern society to enable people during their working years to accumulate the resources to produce income after their retirement, so as to live with a minimum of dependence upon Government welfare or private charity.

The income from post-retirement years may come from the following sources:

1. Federal Old Age Security Benefits
2. Income Arising from Individual Planning and Thrift:
   (*a*) Private Pension Plans
   (*b*) Personal Savings
   (*c*) Profit Sharing Plans
3. Welfare Assistance at the Local Level—Municipal and Provincial.

Portability of pensions is concerned with 2 (*a*) above and should be considered in relation to the benefits and costs arising from the other ways of providing income for retirement years.

Any Government regulations governing such plans should provide a maximum of flexibility to meet the varying types of employer-employee relationships in different kinds of business and industry.

Great caution should be exercised in any regulations respecting pensions, especially respecting vesting. To achieve effective portability, employees would have to be induced to not withdraw their contributions in cash when changing employment and employers would have to be induced to provide for earlier vesting of employer's contributions under both contributory and non-contributory plans. Since earlier vesting costs more than later vesting or no vesting, this becomes a matter of increased labour costs and a matter of price competition in both domestic and international markets. It is obviously inequitable to require employers already providing pension plans to meet standards that will increase their cost of operations while their competitors are operating without any pension plan.

We believe that employers and employees could be encouraged by tax incentives to assist in bringing about the objectives of more nearly adequate pensions for Canadians. Consideration of this might well form part of an overall study of the tax structures of the Federal and Provincial Governments. Since so many Canadians move to other provinces or are employed by organizations which operate in more than one province, the co-ordination of objectives and principles between the Provincial and Federal Governments is essential.

Canada has now the basic pattern for an adequate system of retirement incomes for Canadians. If further action is required, rather than embarking on a new program of costly government-operated pension plans, we should develop and improve the existing systems.

Annex III

EXTRACTS FROM 1964-65 POLICY STATEMENT

The Canadian Chamber of Commerce

Old Age Security

Security for Canadians after they have passed their working years is of vital concern to individuals and to our economy as a whole. All Canadians should be able to retire with adequate provisions for their post-working years.

Many Canadians today are seizing opportunities and using means for the accumulation of resources for post-retirement income. These resources are being accumulated through individual initiative and thrift using any one of, or combination of, plans available such as private pension plans, personal savings, and profit-sharing plans. Supplemental post-retirement income now comes from Federal Old Age Security and in cases of need from Old Age Assistance, Unemployment Assistance and from Welfare Assistance both municipal and provincial, at the local level.

We favour the kind of pensions legislation which will extend the benefits of private pensions to more Canadians utilizing the whole range of existing savings media, extend vesting provisions and assure adequate supervision of these plans. Such measures would aid the economy by creating new private capital with resultant industrial expansion, developing new employment opportunities and facilitating the mobility of labour. Further, such legislation would maintain equity between all contributors and would avoid subsidy between various groups of the population.

The Chamber believes that Government-operated public plans should be restricted to flat-rate benefits such as provided for on a fully universal basis under the Federal Old Age Security legislation. There is concern about the proposed contributory income-related Government pension to be superimposed upon the present Old Age Security flat-rate pension. First, it proposes a form of compulsory savings which places in the hands of governments investment capital secured without resorting to the normal money markets. Secondly, governments having a captive source of finance may tend to spend more freely than they otherwise would. Thirdly, there will be a diminution of sources of private capital with the resultant shifting of functions from the private to the Government sector of the economy. Fourthly, there will be the additional cost or taxes added to the current burden of taxes to provide benefits. All of these results, in the view of the Chamber, will contribute to a slow-down in economic growth and to a deterioration of our competitive position with a resultant serious impact on employment and the overall standard of living.

Recommendations:

1. The Federal Government should co-operate with the provinces in standardizing pensions legislation throughout Canada, and before any legislation is enacted there should be established a public committee of inquiry to hear the views of all interested groups and to make recommendations.
2. Provincial Chambers of Commerce should urge their legislatures to co-operate with other provinces in enacting uniform pensions legislation concerning private pensions plans.

3. (*a*) The Federal Government should confine itself to the provision of flat-rate pensions.
   (*b*) The Federal Government, in studying possible adjustments to the present Old Age Security plan, should consider in particular the following groups:
      (i) Persons who retire before age 70
      (ii) Widows of pensioners
      (iii) Persons of very advanced age
      (iv) Couples with a large age spread between man and wife
      (v) Other survivors and disabled persons
4. The Chamber urges that Government-operated public pension plans should be on a pay-as-you-go basis, and the Chamber is opposed to the principle of accumulating a fund under a Government plan beyond the amounts necessary for financing current operations on a year-to-year basis.
5. All Canadians should be encouraged to make their own provision for financial security in their old age, over and above basic Government pension benefits.

The Canadian Chamber of Commerce is the national voluntary federation of more than 850 antonomous Boards of Trade and Chambers of Commerce (the terms are synonymous) throughout Canada. In addition to these organization members, the Chamber includes approximately 2,700 corporation members composed of businesses of all sizes and in all geographical locations as well as 25 association members. 75 per cent of the community Boards of Trade and Chambers of Commerce serve communities of less than 5,000 population. The preponderance of our corporation members can be correctly described as small business.

This brief is being submitted by the Executive Council which is appointed by the National Board of Directors, the governing body of the Chamber, to carry on the ordinary business of the Chamber during the interim between meetings of the Board.

APPENDIX A18

MEMORANDUM RE BILL C-136

by The Life Underwriters Association of Canada
41 Lesmill Road, Don Mills, Ontario
(January 6, 1965)

INTRODUCTION

1. The Life Underwriters Association of Canada, founded in 1906 and incorporated by Act of the federal parliament in 1924, is the professional association of life insurance agents. The association has approximately 12,000 members and represents about 70% of all the full time life insurance agents in Canada.

2. The association seeks to accomplish its major objective of higher standards of life insurance service to the Canadian people by administering a five year program of training and education leading to the designation Chartered Life Underwriter (C.L.U.). Approximately 22% of the association's members now hold this designation and another 53% are at various stages of the educational program. The members of the association are responsible for the major portion of the sales and service of life insurance and annuities to the Canadian people.

3. Our association welcomes the opportunity to present its views to the Joint Parliamentary Committee on Canada Pension Plan particularly as our association has consistently urged that the proposed Canada Pension Plan be given detailed study by a Joint Parliamentary Committee or other similar body which would have the benefit of hearing from persons and organizations representing the various segments of our population.

4. The members of our association deal directly with the 10 million policyholders of life insurance companies in Canada. In the course of their daily work our members discuss with these people the highly individual matter of their financial plans and objectives. Thus our association is in a unique position to assess the proposed Canada Pension Plan and its implications from the point of view of individual members of the public.

5. It has been wrongly suggested that the members of the Life Underwriters Association have allowed selfish interest to dictate their views in the matter of a government operated pension plan. Therefore we wish to state clearly the position of the association and its members in this regard:

(*a*) The association has consistently supported the existing Canadian system of government operated Old Age Security and will continue to do so including support for any desirable extensions and improvements in the system.

(*b*) If the proposed Canada Pension Plan is adopted, the association believes that premiums currently going to pension plans would be reduced and also that some portion of future new pension monies that would otherwise have been channelled to the private pensions industry would be diverted to federal or provincial governments. In view of the fact that only 20% of private pension plans are insured, the impact of the proposed Canada Pension Plan on our

membership would be substantially less than would be the case with other segments of the private pensions industry. However, many of our members believe that as a result of the Canada Pension Plan most Canadians would become more conscious of the value of pensions and financial security and therefore the climate for future sales of life insurance and annuities would likely be improved. The probability is that the gains would at least equal and likely would exceed any possible losses as far as the sale of life insurance and annuities are concerned.

6. Having dealt with the possible effects of the Canada Pension Plan on our members and we hope having demonstrated that our association's viewpoint is not warped by selfish interest, we turn now to the paramount question of the public interest and how the proposed Canada Pension Plan will affect Canadians.

SUMMARY OF BASIC VIEWS

7. The association is in accord with the basic objective of the proposed Canada Pension Plan as stated in the White Paper of August 1964 in the two opening paragraphs which read as follows:

> "The Canada Pension Plan is designed to extend social insurance protection to people in retirement, to widows, orphans and the disabled. It will be a basic part of Canada's social security system.
>
> "In the resolution proposed in the House of Commons in July 1963, and the statement tabled at that time, the government made known its objective for retirement pensions. This is to establish a contributory pension plan ensuring that, as soon as is possible in a fair and practical way, all Canadians will be able to look forward to retiring in security and in dignity.

8. The members of our association report that they find the general public understanding of this broadly stated objective of the Canada Pension Plan is that the Plan would provide benefits in a fair and practical manner for all Canadians in retirement as well as providing supplementary benefits for all who are disabled, widowed, and orphaned.

9. The proposed Canada Pension Plan will not accomplish this fundamental objective and can never fully do so despite any amendments that could be enacted so long as it is subject to the limitations of a contributory earnings related pension plan. This is because it will take at least 25 years before the Canada Pension Plan would provide retirement benefits for its maximum potential of 85% to 90% of those in retirement. Those who would be left out of the plan would include the hard core of those in most severe economic need. When this fact is fully understood by the Canadian public, serious repercussions are bound to occur. For example, one million Canadians now receiving Old Age Security would never receive Canada Pension Plan benefits though newly retired people would receive both. The resulting disappointment and disillusionment on the part of a large section of the electorate could hardly be ignored.

10. The association therefore believes that the proposed Canada Pension Plan should be amended to enable it to achieve the fundamental objective as stated previously in the White Paper. This means that the Plan must be designed to benefit *all* Canadians in retirement, and to benefit *all* who are disabled, widowed, or orphaned. Furthermore, the retirements benefits must be designed

so as to recognize *needs during retirement* rather than *earnings* during working years. This is the only way that the principle of fairness (stated in the White Paper) can be implemented fully.

SUMMARY OF RECOMMENDATIONS

11. The association submits that the Canada Pension Plan objective of providing a minimum level of retirement income for all Canadians and of providing supplementary benefits for widows, orphans, and disabled persons can best be achieved by amending Part IV of Bill C-136 to extend the application of Old Age Security and also to provide for extension of Family Allowance benefits. The earnings related aspect of Bill C-136 could then be deleted and the objective of the Canada Pension Plan would be more completely achieved by virtue of the following important improvements in what is currently proposed:

(*a*) All the retired population over age 65 (both present and future) would be covered with no discrimination and with no gaps in coverage.

(see paragraph 15, page 10)

(*b*) Supplementary benefits to the widows, orphans, and disabled persons would cover everyone in these categories of hardship (both present and future) instead of providing coverage on a selective and discriminatory basis.

(see paragraph 16, page 11)

(*c*) The system of flat benefits automatically provides the largest relative amount of assistance to those in greatest need and avoids the proposed inequity of providing the largest tax subsidies to the fortunate people in our society that have above average earnings.

(see paragraph 17, page 13)

(*d*) The universal application of flat benefits will avoid excessive amounts of government pension for a fortunate few and will spread government pension monies over a much broader segment of the population at the level of basic need.

(see paragraph 18, page 14)

(*e*) The system of flat benefits is far more easily understood by the people who are to benefit. Only the few persons who make a special study of the Bill could fully understand the current proposals.

(see paragraph 19, page 15)

(*f*) The system of flat benefits would be easier to integrate with existing pension plans.

(see paragraph 20, page 17)

(*g*) The dangerous inflationary pressures inherent in the proposed system of indexing would be avoided.

(see paragraph 21, page 18)

(*h*) The system of flat benefits would be far less costly to administer.

(see paragraph 22, page 18)

12. The association's specific recommendations as to possible extension of existing Old Age Security are as follows:

(*a*) $75 per month payable from age 65 to single persons and to married men with wives under age 60.

(*b*) $125 per month payable as a family benefit during period that a married man is age 65 or over and his wife is between age 60 and 70.

Note: It might be desirable to make payments in (*a*) and (*b*) subject to an earnings test up to age 70 along similar lines to that proposed for Canada Pension Plan benefits.

(*c*) Provision for periodic adjustment of the whole scale of Old Age Security benefits (i) to keep benefits in proper relationship to the standard of living for the population as a whole, and (ii) to provide for possible increased need for retired people as they advance into older age brackets.

(*d*) Provision for widows above a specified age and for those who are forced to withdraw from the labour force due to total and permanent disability could be made by extending Old Age Security payments to cover both of these categories in such amounts as may be considered proper.

13. The association's recommendation for providing "orphan" benefits is as follows:

> Flat benefits for "orphans" could be paid to widows with children and to the disabled with children by increasing the Family Allowance benefits. The present Family Allowance benefits and Youth Allowances could be increased on the death or total disability of the father by $25 per month, and the age limit could be extended to age 25 for each dependent child still attending school as has been proposed under the Canada Pension Plan.

14. The association believes that the implementation of these recommendations both as to timing and as to amount should be determined only after due evaluation of the relative urgency of additional pensions in relation to the whole spectrum of welfare and educational needs in Canada. (See Priority of Needs, page 20)

REASONS FOR RECOMMENDATIONS

15. *The system of universal flat benefits (both existing benefits and suggested extensions) payable under a Canada Pension Plan which extends Old Age Security could meet the retirement needs of all Canadians without the discrimination and gaps inherent in the current proposals.*

(*a*) If the C.P.P. is extended as recommended, it would provide retirement benefits immediately for 100% of those who have reached a stated age. The current C.P.P. proposals on the other hand would provide retirement benefits only for a fortunate handful of people at the outset. In 10 years time coverage would still be limited to a minority of about one-third of the population over age 65.

(*b*) The flat benefit system is universal in its application and no one in the retirement category is overlooked. The proposed earnings related system on the other hand is limited to those in retirement who were fortunate enough to have been contributors to the plan. After a quarter of a century this might build up to a maximum of 85% to 90% of the retired population thereby still leaving out those in greatest economic need.

(*c*) A C.P.P. which expands the system of O.A.S. would prove to be far more popular with the people of Canada than would the current

proposals because everyone will be treated fairly. Shocking inequities requiring political action would soon be revealed under the proposed C.P.P. For example, in 10 years time one large group of senior citizens will be receiving only Old Age Security from the government while another smaller group of senior citizens will be receiving more than $100 per month from the government in addition to O.A.S. by virtue of having paid a token tax to the C.P.P. This will split friends and relatives into two groups, the "haves" and the "have nots" so far as government pensions are concerned. It is surely apparent that this will not be acceptable in our enlightened society. This pitfall should be avoided by amending the C.P.P. to extend O.A.S. in a manner which will permit equitable treatment of all Canadians in retirement.

16. *Supplementary benefits for widows, orphans, and the disabled can be provided equitably for everyone in these categories if the Canada Pension Plan is based on extension of the existing systems of universal flat benefits but the Plan cannot do so if it is limited by the earnings related proposal.*

(*a*) The earnings related proposal would leave out the widows and disabled persons living at the commencement of the plan and would also leave out the dependent children of such persons.

(*b*) Consider the case of a widow now working and trying to struggle along until she can qualify for existing O.A.S. She would have to stand by and watch widows of 1969 bereavements draw substantial incomes from the government for the rest of their lives whether they needed them or not. Moreover, to add insult to injury she would have to pay C.P.P. taxes on her own modest earnings to help subsidize the widows of 1969 and subsequent years. Surely it is possible to conclude now that this would not stand the test of public opinion for very long. Such a widow would be covered immediately if the C.P.P. were amended to extend O.A.S. benefits as recommended.

(*c*) The element of earnings related contributions raises inequities in coverage. Future widows and disabled persons and their dependents would receive benefits under the proposed C.P.P. only if they were fortunate enough to be contributors or connected with contributors to the plan. Those who would *not* qualify as contributors are likely to include those widows and disabled persons in greatest economic stress.

(*d*) These examples of inequity in coverage would present a number of untenable situations requiring political action. These problems can be avoided by following the recommended procedure of amending the C.P.P. to extend flat benefits under O.A.S. and Family Allowances to cover *everyone* in these specified areas of hardship on an equitable basis.

17. *A Canada Pension Plan which extends the system of flat benefits as recommended would operate more equitably than the current proposals because it would provide most assistance to those whose need is greatest in retirement and would also operate equitably in different regions of Canada.*

(*a*) The system of flat benefits under O.A.S. has its own built in device for providing most help to those whose need is greatest in retirement. The proposed C.P.P. would tend to operate in reverse to this because the benefits will vary in relation to the pensionable earnings.

Thus the higher the earnings the higher will be the benefits under the proposed C.P.P. whereas retirement needs are normally greater for those whose earnings were low during their working years. Thus the C.P.P. as proposed would tend to accentuate differences in levels of retirement income whereas a C.P.P. which extends O.A.S. would tend to reduce these differences.

(*b*) There is also the question of how best to provide retirement pensions equitably in view of the variation in living costs between urban and rural areas and between different regions of Canada. Proponents of the earnings related system argue in its favour on the basis that retirement needs of people are related to their previous level of earnings. For example, the actuarial report shows that a person earning $5000 could receive an annual pension of $1356. But if the same person earned only $2500 then the C.P.P. would provide him with a pension of $678. It is a fallacy to assume that the retirement need is only half as great in the second situation.

(*c*) A better measure of relative needs in retirement is found in a comparison of the gap that exists between the average income of the working population and the average income of the retired population in different regions. An analysis of this gap made on a provincial basis from the 1961 census statistics shows that, with the exception of Prince Edward Island, the variation in this gap is remarkably small from province to province. For example, the gap is $1540 per year in Ontario and $1350 in Newfoundland. Thus it appears that the universal flat benefit approach is preferable to the proposed earnings related approach in dealing with the fluctuations in living standards in various regions.

18. *The scale of government pension benefits which would be provided for some people from the proposed Canada Pension Plan together with Old Age Security seems excessive in relation to the White Paper objective of providing "reasonable minimum levels of income" and also in relation to comparable programs in other countries.*

(*a*) Even the $75 per month O.A.S. is considerably higher than the average government pension benefits now being paid in the United States and in the United Kingdom when benefits are compared in relation to per capita gross national product. Superimposing C.P.P. benefits on top of O.A.S. would provide exceptionally generous benefits for some people thereby accentuating the inequity situation. Based on non agricultural population it has been estimated that 14% of husband and wife families could eventually qualify for government pension benefits varying from 100% to 175% of pre retirement earnings. Another 11% could qualify for benefits ranging from 75% to 100% of pre retirement earnings. Another 22% could qualify for benefits of 56% to 75% of pre retirement earnings.

(*b*) The statistics in (*a*) relate to the lower 47% in the earning scale but the proposed C.P.P. would also make quite a startling impact on persons who already have generous pension plans. For example, a man earning $5000 a year retires on a pension of $3500 at age 65, as he does under some civil service plans. He and his wife can receive at least $2474 from C.P.P. and O.A.S. This means total pension of about $6000 in relation to earnings of $5000.

19. *The enormous complexity of the proposed Canada Pension Plan would mitigate against its stability.*

(*a*) Bill C-136 has been described as one of the most complicated pieces of legislation ever to be introduced into parliament. This is hardly a virtue. It is regrettable that a measure which is intended to have widespread social and economic importance for millions of individuals is so difficult to interpret and explain. The likely result is that the many inequities, and delayed implications will tend to become apparent in a scattered and unrelated manner over a period of years thereby leading to a patchwork of legislative amendment and administrative interpretation. Past experience in Canada suggests that after some years the result would be the appointment of a Royal Commission to investigate the whole problem and make recommendations.

(*b*) This problem of complexity is of vital concern to the life insurance agents in Canada who will be called upon to a greater extent than any other group to explain the C.P.P. and demonstrate its specific application to individual members of the public. The educational department of the Life Underwriters Association has set up a committee of experts to develop a practical procedure which life insurance agents in Canada could use in the course of their financial planning for individuals in order to integrate anticipated C.P.P. benefits with existing life insurance and other assets. This committee, after wrestling with the problem for some weeks, finally concluded that the adjustment factors, the indexing, and the other variables result in so much uncertainty that is is impractical to use C.P.P. benefits as the foundation for a family's security program. Instead the technique must be to use the individual's life insurance and O.A.S. as the foundation for his financial security program and the C.P.P. benefit would be treated as supplementary and somewhat uncertain as to amount. On the other hand, the universal flat benefit approach to providing government benefits enables them to be put in their proper place as a floor of protection and they can be easily explained and understood.

20. *A Canada Pension Plan which extends the system of flat benefits would make it practical to integrate government benefits with existing pension plans.*

(*a*) The complexity of the proposed C.P.P. presents great difficulty in trying to integrate it with existing employer-employee pension plans. Actuaries had previously worked out some possible methods of integration, but the recently added feature of indexing of pension benefits has rendered the integration problem almost insoluble. The president of the North American Life gives us the probable answer when he points out that in five European countries that have indexed initial pension benefits, the government has completely taken over the pensionable earnings area. On the other hand we have some rather strong proclamations by leaders of organized labour that they will not tolerate any reduction of existing pension plans if the C.P.P. is introduced. These factors indicate the great difficulty of integrating existing pension plans with earnings related government benefits and also indicate stormy weather ahead for management labour relations.

(*b*) On the other hand integration of existing pension plans with flat benefits as in O.A.S. is quite simple and has in fact been done with a number of pension plans.

21. *A Canada Pension Plan which extends the system of flat benefits without indexing of benefits would avoid the dangerous inflationary pressures inherent in the proposed indexing of earnings related benefits.*

Indexing of pensions based on fluctuations in the consumer price index revives the problem of inflation. Again President Bryden of the North American Life points out that indexing of pensions is likely to lead to pressure for indexing of other government commitments. Once indexing begins it tends to give certain groups in the community a vested interest in continuing inflation which could ultimately destroy the incentive to invest money at interest.

22. *A Canada Pension Plan which extends the system of flat benefits would be far less costly to administer than an earnings related system.*

(*a*) A contributory earnings related plan involves substantially greater administrative cost than a flat benefit program because of the extensive individual records that would be required. The actuarial report estimates administrative expense for the C.P.P. at $17.6 million at the tenth year of operation. The Deputy Minister of National Revenue recently estimated that 1,260,000 refunds to employees would be required each year due to overpayment as a result of payroll deductions being based on a full year's earnings although the employee doesn't work for a full year.

(*b*) The flat benefit programs can be extended at considerably less administrative cost. The actuarial report estimates that in the tenth year of operation, administrative expense would be 4¾% of benefits whereas the expense factor under Old Age Security is about ¾ of 1%.

PRIORITY OF NEEDS

23. While it may appear laudable that Canada should strive to lead the world in its level of government pensions, there is a strong feeling that government pensions at this unusually high level on a selective rather than universal basis which bypasses those in greatest need is not a matter of prime urgency in Canada at this time. There are important public leaders including the Prime Minister of Manitoba who believe that the urgent needs for tax money to be diverted into education and even health care rank ahead of a second layer of government pensions.

24. The Hon. Maurice Sauve recently described 8 specific areas of poverty in Canada and another 10 areas where the situation is little better. One specific example is nine counties in the lower St. Lawrence area of Quebec where the gross income for 300,000 Canadians is $5 per week per person. It has also been noted that Canada lags behind some other countries of the western world in the technological and industrial development necessary to create the means of greater productivity to support the many desirable social welfare measures.

25. It ought to be noted that in the United States where an earnings related social security program has been in operation for nearly 30 years, the President of the United States in his recent election campaign adopted as his prime item of domestic policy "war on poverty". Moreover, since his election, the President has announced his hope to raise the federal government's contribution to education from a high of $700 million under the Kennedy regime to $3,000 million (more than 4 times) in 1965. These events to the south of us may be an indicator of what lies in store for our own country.

26. In the light of the above and other similar storm warnings our association believes there should be a full scale assessment of the whole area of welfare needs waiting to be filled, their cost and respective priority in relation to the cost of other growing and critical demands on our economy for education, health care, and other public projects. This kind of overall evaluation seems essential before an intelligent decision can be made as to whether Canadians should be committed now to a program of escalating cost to provide a further level of government pensions which by most reasonable standards seems excessive.

CONCLUSION

27. Our association supports the broadly stated objective of the Canada Pension Plan, namely to provide minimum levels of benefits on a fair basis for all Canadians in retirement and for those who are disabled, widowed, or orphaned. Since the Canada Pension Plan in its present form cannot possibly achieve this objective, our association recommends that it be amended.

28. The starting point for amendment is Part IV of Bill C-136 which already provides for some extension of Old Age Security. This Part of the Bill could be expanded to put into legislative form the recommendations for further expansion of Old Age Security and also for extension of Family Allowances to provide the desired benefits for all widows, orphans, disabled, and retired persons on a basis that is universal in coverage and equitable in application. Along with these amendments the first three Parts of the Bill could be substantially eliminated.

29. In this way the Canada Pension Plan would be designed to overcome the deficiencies in the earnings related approach and thereby achieve the following highly desirable objectives:

(*a*) Retirement benefits would be payable to all retired persons over age 65.

(*b*) Supplementary benefits for widows, orphans, and disabled persons would be paid to all in these categories of hardship.

(*c*) Benefits would relate to needs rather than earnings.

(*d*) Excessive benefits for some would be replaced by equitable benefits for all.

(*e*) Everyone could understand it.

(*f*) Government benefits could easily be integrated with private pension plans.

(*g*) The dangers of inflation inherent in indexing of pension benefits would be avoided.

(*h*) Administrative costs of operating the plan would be substantially reduced.

30. Since these eight highly desirable objectives cannot be attained through the earnings related approach, our association hopes that the Joint Parliamentary Committee will recommend changes in Bill C-136 which will enable the Canada Pension Plan to achieve these objectives.

APPENDIX A20

SUBMISSION BY

THE WINNIPEG CHAMBER OF COMMERCE

OTTAWA, January 19, 1965

Approved by the Public Finance and Taxation Committee January 7, 1965 and by the Council January 12, 1965.

INTRODUCTION

The Winnipeg Chamber of Commerce has a membership of about 2,400 representing 1,400 separate enterprises, which makes it broadly representative of the business community of Greater Winnipeg. The Chamber has prepared this submission as the representative of this business community.

Our members, collectively as the Chamber of Commerce and individually as employers, managers and self-employed individuals, support the idea of a sound social security program. Our members recognize their social responsibility directly to their employees and in a broad sense to the community as a whole. The Chamber has stated on numerous occasions that it does indeed support programs of public welfare where the need exists and to the extent the nation can afford them. Therefore, the Chamber is not opposed to a national pension scheme but is strongly opposed to some of the provisions of Bill C-136 as set out below.

Funding is not the answer

There is no economic reason why a government with unlimited taxing powers should fund a pension plan, but there are many economic reasons why a government should not do this. Some of these are:—

1. Most private pension plans invest their funds in corporate and government securities and mortgages in agreed-upon ratios. If Bill C-136 is enacted a portion of the funds now invested in private plans will be diverted to provincial governments. Private plans will still invest their funds in agreed-upon ratios but at reduced levels. This will mean pension funds will be investing less in corporate securities with the result that industry will turn more to foreign capital for its requirements. This would be contrary to the present Federal Government policy of encouraging Canadians to provide their own capital for their own industries.

2. The United States has currently adopted a policy of reducing both corporate and personal income taxes with significant beneficial results in their economy. The Chamber believes Canada should follow a similar policy. However, under the proposed plan a levy of 3.6% on payroll will in fact increase taxes which will place Canada in a less competitive position in world markets. This can be alleviated by reducing the levy to cover no more than the annual cost of pensions.

3. The proposed funding of the Canada Pension Plan does nothing to relieve the government from the necessity of taxing to pay the benefits provided under the plan and does much to increase the cost.

The channeling of contributions into the hands of the provincial governments by way of loans is in avoidance of the constitutional responsibility to provide means for the provincial governments to meet their needs from their own resources of credit and taxation.

4. The making of these loans will temporarily insulate the provinces from the judgement of the market and of the taxpayer and encourages provinces to embark on uneconomic projects.

5. To the extent that the funds loaned to the provinces will remain as permanent loans, the federal government will ultimately reach the point where it is meeting the pensions out of contributions as they are received and at this stage the obligation of the provincial governments to repay will be almost academic but a tremendous amount of work and expense will have been consumed in the so-called funding process.

The Chamber believes it is unsound in principle for the Federal Government to collect excess pension contributions which provincial governments may borrow and spend. It is submitted that the so-called funding of the plan could be an expensive illusion.

Inadequacies of Bill C-136 as a welfare measure

Apart from the difficulties envisioned by the "funding" feature, we feel the proposed legislation contains weaknesses as a social welfare measure. Some of these are:—

1. A social security plan involving a transfer of funds among people in different earnings levels and in different generations should ensure that its benefits are at all times directed to those most in need of them. For this reason the Chamber believes that the benefits formulae of the proposed plan based on previous earnings statistics of individuals, adjusted on the basis of national earnings and price statistics, will not at any time ensure that its benefit payments will effect the most desirable transfer of funds available.

   For example:—

   (*a*) The most serious short-coming of the proposed plan is its failure to provide immediately for those in greatest need, including the aged, widows, orphans and the disabled. Members of the proposed plan will presumably receive pensions worth far more than contributions made on their behalf on the premise that members entering the proposed plan will always be in sufficiently increasing numbers to provide the additional funds necessary to subsidize members drawing pensions.

   The Chamber suggests it is undesirable as Government policy to subsidize one group of citizens and ignore another group who have a greater immediate need.

   (*b*) The excesses of benefits received over contributions paid are now and will continue to be greater for those with higher income histories, thereby widening differences in income—a most undesirable shortcoming in a formula for transferring funds between persons compelled to contribute.

   (*c*) The proposed benefit formulae will in the future pay less than adequate benefits to many persons whose income is stopped or reduced due to retirement, disability or widowhood after the terms of the plan are fully effective.

(*d*) The proposed benefit formulae will in the future pay more than adequate benefits to many persons who will retire after the terms of the plan are fully effective.

2. In Canada today there are more than 2,000,000 individuals who are members of existing pension plans. In many cases the benefits provided under the terms of these plans are greater than the proposed Government plan.

The problems of integrating private plans with the proposed plan are almost insuperable. This will result in many inequities for members of existing plans. As the rate of contribution increases under the proposed plan, the problems of integration will increase.

3. In addition to, but quite apart from the short-comings of its benefit provisions, the proposed plan contains factors capable of important and undesirable influences on the economy of the country.

For example:—

(*a*) The presence of indices to compensate for the price rises will create an apathy to inflation, discourage private saving and stimulate demands for other forms of cost living increments.

(*b*) The burden of administrative detail will be enormously complex and costly. The sole purpose of maintaining complex records of individual earnings statistics, necessarily far out of date by the time they are used and therefore requiring complex adjustments to bring them up to date, is to obtain a formula for payment of benefits.

(*c*) An economic recession would imperil the plan, which presupposes constant growth and expansion in the economy.

The Importance of Establishing Priorities

The Premier of Manitoba has stated that amounts expended for better education, medical care, and pensions should be determined on a basis of priority. The Chamber agrees with this principle.

The greatest single challenge with the promise of greatest rewards for Canadians is to provide for better education. In addition, better medical care will eventually have to be made available to everyone. The priorities must therefore be considered very carefully when it is realized better education, medical care and pensions can all be obtained with the yield of the proposed plan, provided there is no funding. We emphasize again the importance of establishing priorities and urge that no action in the field of pensions be taken until this has been done.

The Role of Government

The Chamber believes that the role of government is to maintain the economic and social environment which encourages corporate and individual initiative. Indeed, the future of the country is dependent upon the continuance of an aggressive development program of all its resources. This is particularly important today, as all signs point to the period ahead as being one of intense competition with the productive resources of other nations. Government policies, then, must be designed to motivate the creativity and productivity of Canadians and anything which tends to discourage these two elements will, in turn, adversely affect the development of the country.

Consistent with its understanding of the role of government and with appreciation of the need for social welfare programs this Chamber has endorsed—and takes this opportunity to do so again—the important principle

which was established by the Joint Committee of the Senate and the House of Commons in 1950; namely:

> "Any scheme conceived under public auspices should be such as to place a floor under private or collective provisions for retirement security; this would make possible the development under private initiative of supplemental programs which, taken together with governmental provisions, would result in more adequate retirement security for the largest number of Canadians."

Type of Plan Recommended

It was stated at the outset that the Chamber does support social welfare measures. The principle enunciated by the Joint Committee of the Senate and the House of Commons in 1950 led to the establishment of the present Old Age Security program and it is this program which this Chamber submits should form the basis for an expanded Canada pension plan. It has features which have been accepted as a sound public retirement security program. Some of these are:—

1. Universal and immediate;
2. Economy of administration;
3. Flexible;
4. Simple financing;
5. Does not deter private savings;
6. Does not conflict with other objectives of national policy;
7. Is fully taxable, automatically adjusting for those who do not need it; and
8. Easily integrated with private plans.

In our view, the type of pension plan which is best suited to this country is one which contains these characteristics. In most respects these features which we believe are so important, cannot be found in the proposed legislation.

Role of the Advisory Committee

The Chamber commends the Government for its decision to set up an Advisory Committee to review from time to time various aspects of the plan. This appears to be an attempt to remove the operation of the plan from the realm of party politics, which is a step in the right direction.

Canada is a growing country in which unforseen changes will occur in comparatively short periods of time. Any social legislation should therefore be not too rigidly designed but should be capable of adapting to the changing conditions with a minimum of dislocation.

RECOMMENDATIONS

The Winnipeg Chamber of Commerce therefore recommends that, to the extent additional old age benefits are required, as determined by a study with the purpose of establishing national priorities, they can best be provided by:—

(1) Increasing the benefits paid under the present Old Age Security program;

(2) Advancing the initial age at which benefits become payable; and

(3) Including widows, orphans and disabled persons under the Old Age Security Plan.

CONCLUSION

The Canada Pension Bill is a highly complex document and its implementation will have broad and long-term social and economic effects. Far from any need for urgency, there is need for full review and careful consideration of the many aspects of the Bill and the various representations, some highly technical, which will be presented to the Joint Committee.

We have said that we favour a plan that embraces all Canadians, and that is broadly supported. We favour payment of benefits out of current revenue rather than a funded plan and we believe that pensions paid out of public funds should be related to social adequacy rather than being income related.

Such a plan could easily be developed from our present Old Age Security system and could be administered more simply and much less expensively.

We believe it to be the duty of your Committee to make certain that any departure from a tried, efficient and relatively low-cost system to a new, complex and much more expensive one, must be fully justified before abandoning a pattern on which it is possible to build all the benefits required.

On the basis of our review of the proposed legislation, the Winnipeg Chamber of Commerce believes that it goes far beyond the desirable role for government to play. Excessive costs in one area will impoverish others. Too much spent on pensions, for example, must minimize the urgent advances required in education and health. Too much public investment by compulsory savings must drain the pool of private investment required to expand our production and our ability to pay for any social legislation.

Respectfuly submitted,

THE WINNIPEG CHAMBER OF COMMERCE

J. T. ELLIS, *Chairman,*
Public Finance & Taxation
Committee.

Edson BOYD,
President.

January 7, 1965.

APPENDIX A21

Answer to Question Raised by Mr. Monteith on Tuesday, January 19, 1965, at the Morning Session

Question: What would be the approximate costs of the proposals contained in paragraphs 12 and 13 of the brief of the Life Underwriters Association of Canada, excluding item 12(d)?

Answer: In 1970, these proposals would cost about $933 million without a retirement test or almost $800 million with a retirement test, if no allowance is made for escalation of benefits.

These estimates have been developed on the basis of the following assumptions:

(*a*) At any given time, 57% of males and 91% of females in the age group 65 to 69 will be retired, none of them will be partially retired, and all wives will be retired.

(*b*) Males aged 65 to 69 will draw $75 a month; unmarried females aged 65 to 69 will draw $75 a month; and wives aged 60 to 69 of men aged 65 and over will draw $50 a month.

(*c*) Widows aged 45 to 64, and widows aged 15 to 44 with dependent children, will draw $75 a month; widows aged 35 to 44 will receive $75 a month reduced by 1/120 for each month by which their age falls short of 45 at the time they are widowed.

(*d*) Widows receiving reduced benefits will be evenly distributed through the age group 35 to 44.

(*e*) The number of widows under 45 without dependent children who are totally and permanently disabled is small enough to be disregarded in this approximation.

(*f*) Orphans benefits of $25 a month each will be paid to orphans aged 19 and under provided they are either parentless, or fatherless children of widowed mothers.

NUMBER OF BENEFICIARIES AND COSTS OF BENEFITS PROPOSED BY LIFE UNDERWRITERS, 1966, 1970, 1980

Type of Benefit	1966		1970		1980	
	Number of Beneficiaries	Expenditures	Number of Beneficiaries	Expenditures	Number of Beneficiaries	Expenditures
	(thousands)	($ million)	(thousands)	($ million)	(thousands)	($ million)
Retirement pension[a] —no earnings test	660	526.1	701	555.4	965	775
—with earnings test	518	398.3	553	422.4	765	595
Widow's pension[b]	262	235.8	290	261.0	352	317
Orphan's benefit[c]	348.6	104.6	388.5	116.6	504	151
Total (no test)	1,270.6	866.5	1,379.5	933	1,821	1,243
Total (with test)	1,128.6	738.7	1,231.5	800	1,621	1,063

[a] Payable to those aged 65 to 69, and to wives aged 60 to 69.
[b] Payable to widows under 65.
[c] Payable to orphans under 20.

APPENDIX A22

60 Osborne Street North,
Winnipeg 1, Man. January 1, 1965.

My submission to your Joint Committee is attached. It represents a distillation of my own views, those of many of my associates and many people to whom I have talked in most parts of Canada.

I endorse the much more complete and exhaustive submission made by the Canadian Life Insurance Officers Association which comments on each of the important elements in the Canada Pension Plan.

This submission is directed to only one point. It contends that the social inequities in the Canada Pension Plan, the very large number of Canadians who will not benefit from its provisions, and the existing welfare needs which it ignores are so grave that the Bill should not be passed in its present form. It is an attempt to weigh the impact of the Plan as it will apply to individual Canadians. It does not attempt to cover the economic implications, actuarial considerations, or potential federal-provincial problems inherent in the Plan.

It is hoped that the views expressed will be helpful to the Members of the Committee in appraising how the Canada Pension Plan fits or does not fit the real needs in their several communities, and thereby be of assistance in considering alternative solutions.

Respectfully submitted,

D. E. Kilgour.

INTRODUCTION

This submission is made on my own behalf as an individual. While I believe its viewpoint to be shared by many who understand the problems, and it reflects my thirty-two years' experience and observation of pension plans and social legislation, it should be recognized as a personal appraisal of the problems involved. Any shortcomings or errors in its logic or argument are my own, and not those of the Company with which I am associated.

There may be wide room for difference of opinion as to the economic implications, actuarial considerations, potential federal-provincial problems inherent in the Plan, but the individual Canadian will finally judge it on what it does, or does not do, for him, his family, and the economic fortunes of those people in whom he is intimately concerned.

If the Members of Parliament determine that the Canada Pension Plan and the new provisions of the Old Age Security Act will importantly alleviate the financial condition of the old, the widowed, and the disabled amongst their constituents, then its passage will be commended as worthy social legislation. If, on the other hand, it will not solve those problems, it is contended that its passage will only widen the gap between the "haves" and the "have-nots" and leave the true problem to be resolved at some future session of Parliament.

The Canada Pension Plan has very obvious attractions because it promises substantial benefits to very many Canadians. In fact, if one is in the age group from, say, forty to mid-sixties, members of Parliament are in the embarrassing position of being asked to approve a system of arbitrary benefits under which a highly preferred treatment is accorded to each person in that age group.

When the Bill was presented to Parliament, the official summary and explanation had as its first paragraph,—"The main reason for the length of the Bill is the comprehensiveness of the social insurance which the Bill proposes for the people of Canada. It will benefit virtually everyone." The conclusion

of this official summary was equally sweeping—"The general effect of this complex Bill is to provide for a nation-wide system of social insurance which will establish a basic level of security for all Canadians whatever their individual circumstances, whatever moves they make, and whatever economic changes occur." It is not surprising that such a laudable objective should command very widespread support. Unfortunately, the more the Plan is studied, the more clearly does it fail to achieve its stated objective.

It seems important to point up the very large groups who will not receive benefits under the Plan, and to use some comparisons which are believed to be accurate to illustrate the dramatic contrasts that will exist between those who receive its benefits, and those who do not. It is submitted that the shortcomings are so great that to create such social inequity by Act of Parliament would be completely contrary to our national interest, and incompatible with the ideals and concepts of social justice which should guide social legislation.

By its very nature, the Canada Pension Plan excludes large numbers of Canadians from its benefits and one could fairly accurately say that the groups excluded are those that need them most. Since the Plan is not based on individual equity, but is rather a redistribution of a portion of our national income according to a complex formula, the Bill, if enacted, must be regarded as a statement of our national purpose. It will constitue a formal declaration of those people the Government wishes to aid on the one hand and, on the other, those it has decided to exclude from this re-allocation of tax revenues.

We have long had marked inequalities between individuals flowing from inheritance, talent, industry, location, health, timing, good fortune or misfortune, and most people are well aware of the "slings and arrows of outrageous fortune". However, demonstrable inequity by Act of Parliament is a completely different subject.

PENSION BENEFITS

Most of our retired population have been saved from acute distress, or their own resources have been mercifully enhanced by the Old Age Security Act and the $75 monthly benefit now being paid. But, in the vast majority of cases their incomes or pensions are extremely small in relation to those which will be payable to people who will be retiring in the next 5 or 10 years. This flows from much higher salaries now prevailing and the many improvements in pension formulae. For example, improvements in benefits and pay increases produced deficiencies in the government's superannuation accounts that amounted to $880,000,000 to bring them up to date, and much of that sum accrued to the credit of people who will retire in the future. Moreover, most of the very people who gained the greatest benefit from such pension liberalizations are to be given the largest windfalls on top of bigger pensions and the same Old Age Security benefits.

There were 1,391,000 Canadians age 65 or over in the 1961 census, and the contrast between their incomes and those of individuals who retire in the next decade or so will be extremely marked. Of this group, only 220,000 had taxable incomes, so that 1,171,000 are below that level fixed by Parliament as being sufficient that they can be fairly taxed. The Canada Pension Plan will be another major factor in accentuating the spread in incomes between our present old people and those retiring in the future.

It has been contended that the elderly group will benefit from the indexing of Old Age Security payments. In fact, any elderly person who has as much as $75 a month from a pension or fixed income securities will lose more by continuing inflation than they can gain from escalation of the Old Age Security Plan. Accordingly, a considerable portion of our present retired population could thus lose more on the swings than they gain on the roundabouts. One

could pretty honestly say that our present old people gain little or nothing, even in prospect, from the Canada Pension Plan. The best that can be said is that those entirely dependent upon Old Age Security may stay roughly even with the cost of living.

Our present old people and their families have the legitimate charge that from $600 million of new taxes they get virtually nothing, and that the biggest benefits go to the generation now in power, who are already the beneficiaries of higher incomes and, in many instances, better pensions.

DISABILITY

This is a field in which benefits pursuant to such a complex formula as that contained in the Bill will produce results which are so inequitable as to defy explanation. The benefits are considerable if one qualifies. For example, most of the people in this room would get $103 a month if they should become disabled after the 1st of January, 1970. All of those people now disabled, or who have the misfortune to become disabled in 1965, 1966, 1967, 1968 or 1969, will get precisely nothing. Someone who was disabled 10 years ago at the age of 25 will have to rely on welfare payments for another 30 years when he will be entitled to $51 a month under the Old Age Security Act.

Contrast this with an executive who has a heart attack in 1970 and then has to decide whether the government's $103 monthly disability income on top of his employer's plan, together with his personal coverage, makes it desirable to hang up his spurs and go to Florida. Another $102 per month will become payable when he and his wife reach age 65 from Old Age Security.

Many years' experience in the disability field teaches that in borderline disabilities, the mental attitude of the individual is of tremendous importance. There are thousands of people at work today who could be declared disabled if they wanted to be. The severe provisions as to qualification, and they are wisely severe to avoid exploitation of the Plan, are nevertheless going to cut out most of the people who are on the lower rungs of the economic ladder.

For example, a woman whose husband dies 10 years hence in 1975 having not been a contributor and leaving her without resources, and who goes to work to support herself, could be disabled in 1979 while being a contributor and will have no disability pension because she had not contributed for one-third of the number of years since the Plan was started.

If one accepts the premise that the poorest people in Canada are unlikely to be contributors to the Plan, then it follows that they are unlikely to gain any important benefit from the disability provisions of the Canada Pension Plan. The Plan simply ignores those now disabled, or those who may become so in the next few years.

DEATH BENEFIT

The same shortcomings are apparent in the death benefit as in the disability provisions. Present widows and orphans are ignored entirely. Similarly, widows of 1965, 1966 and 1967 must have it explained to them that their husbands died too soon.

The contrasts, again between the fortunate and the unfortunate will be dramatic and irrational. An automobile accident which kills a wealthy man and a farm labourer may result in the wealthy man's widow getting $168 a month, and the farm labourer's widow getting nothing because he was not a contributor.

This is completely different than what could happen today when the one man may have $100,000 of insurance he bought and paid for, and the other man none. Here, the discrepancy arises from the private provision that one man made and the other did not.

Under the Canada Pension Plan, the discrepancy arises because Parliament would have passed an Act granting the benefits to the one man and explicitly denying them to the other because he did not have any money. It is submitted that such re-allocation of tax revenues without regard to need or equity could not stand the test of time.

BENEFITS FOR WOMEN

The effect of the Canada Pension Plan on the women of Canada is far from apparent on the surface. Working women make equal contributions as do men, and draw equal benefits. This sounds thoroughly equitable, but its total impact is dramatically affected by the facts of life.

Most women work at the younger ages, and there will be a very large group who work for, say, 5 years prior to marriage. There are also a substantial number who continue as working wives, in which case perhaps 10 years might be set as a normal working period prior to withdrawing from the labour market to raise a family.

Two illustrations are set out below of the benefits accruing to these people under the Canada Pension Plan if they do not re-enter the labour market.

> A young woman begins work at age 20 and works for 5 years at average earnings of $2,400 per annum. If she does not return to the labour market, her pension at age 65 will be $6.17 monthly. The combined contributions made to the Plan could alternatively have bought her a pension of $16.84 a month from the Canadian Government Annuities Branch.
>
> A young woman beginning to work at age 20 and working for 10 years with earnings averaging $3,000 per annum will be entitled to a Canada Pension Plan benefit of $15.43 monthly at age 65. The same contributions could have purchased her a Government Annuity of $40.05 monthly at age 65.

It is submitted that the Plan is wholly unattractive to young women who intend to work for a few years prior to marriage, and contrasts dramatically with the benefit of $62.50 a month available under the Canada Pension Plan to a woman of 55 who goes to work for 10 years at $3,000 a year.

The real impact of the Canada Pension Plan on married women will flow from their husband's financial success. If her husband earns over $5,000 per year, a wife will get the maximum benefits available under it. If, at the other extreme, he has an unfortunate earnings record, he may never be a contributor and she will gain no benefits from the Plan.

If she should become divorced, be deserted, have her husband disabled while she has young children, or widowed, her benefits, if any, will flow only from her husband's financial success. If he was not a contributor, she will draw no benefits. One could fairly accurately say that successful marriages in financial terms become more solid financially, whereas those rather rocky marriages in a financial sense, with which our society is plentifully endowed, will become even more unfortunate by contrast.

The married woman who devotes her life to her family, her home and her community, can look forward to an old age in which she will have a much smaller income from the Canada Pension Plan than the couple next door who have no children and both work, even if both families earned identical gross incomes. A working couple can receive benefits at age 65 of as much as $310.34 a month from the Canada Pension Plan and Old Age Security. The maximum available to a couple in which the wife does not work for salary or wages is $206.17. If their husbands both died at age 66, the widow who had raised the family will have a continuing income of $113.50 a month, whereas the widow who had no children would receive $194.23 per month.

In a Plan in which we are taxing the young to pay benefits to some of the old, the mother who raised the young fares rather poorly.

The incentive for married women to work, which is created by the windfalls available under the Canada Pension Plan, cannot be accurately measured, but it is very great. Just as Unemployment Insurance has proven deeply vulnerable to selection against it,—e.g., someone who was never unemployed a day in his working life drawing his full benefits when he retires,—so the windfalls in the Canada Pension Plan can attract legal discrimination against it on a very large scale.

Women who go to work in 1966 will have a bargain available to them in the form of pensions that will be unrivalled in history, and improbable of ever being offered again. A woman of 55 who will even work 3 days a week for $100 a month will get a pension of $25 a month. The maximum which she can contribute, or have contributed on her behalf by her employer and herself, is $216 over the 10 years. The value of the benefit she receives is set at $3,517 by the current government annuity rates so there is a windfall of over $3,300. If she can earn $200 a month, the windfall is approximately $6,400 and, of course, there are subsidiary benefits such as disability.

When you consider that this windfall is more than 25% of her earnings during the 10-year period, you have a powerful inducement to take married women in this age group out of the home, into the labour market, whether this is truly desirable or not. It is the social impact of this force in Canadian families that is questioned, let alone its impact on the unemployment market.

COVERAGE

Who will be covered by the Canada Pension Plan?

Employer-employee groups will be compulsorily in the plan, and those who enjoy permanent employment will, in the main, draw its full benefits. This group, of course, contains all those who now benefit from existing employer pension plans, so that a high degree of dual pensioning is automatic.

The remainder must come in through the income tax road.

How effective can tax machinery be expected to be in collecting contributions for a Plan whose benefits are long deferred?

An interesting parallel is presented by government hospitalization in Canada and the success of premium collections from other than employer-employee groups. In hospitalization, the premiums were low, the benefits highly subsidized, which made them attractive, and the probability of frequent use was considerable.

Today, only three provinces, Saskatchewan, Manitoba and Ontario, even attempt to collect hospitalization premiums from their residents. Some provinces, such as Quebec, did not even try, although the strain on provincial budgets has been very great. Others tried it and gave it up. The experience in Manitoba, which is continuing to collect premiums at the rate of $24 per annum for a single person and $48 per annum for a family head, may shed some light on the number of people who can be brought into the Canada Pension Plan.

The law requires all people in the Province to pay hospitalization premiums, and it is estimated that there were 374,000[1] single persons and family heads in Manitoba in 1962, as defined for hospitalization purposes.

177,300[1], or 47.4% of these are reached through employer-employee deductions. Conversely, 52.6% or 196,700 have to be reached through some other means, and this has been achieved by making municipalities responsible for

[1] See attached Appendix.

premium collections. The municipalities bill the individuals and if these bills are not paid, they can be added to the tax bill of property owners, and if all collection efforts fail, the municipality pays the premium rather than incur the hospital liability of non-subscribers. It demonstrates the difficulty of collecting even known sums, $24 or $48, from other than employer-employee deductions.

Reviewing another collection machinery, the income tax tystem, one finds that in 1962, 225,234[1] Manitobans had taxable incomes. Of these, 195,177[1] where classified as employees. That this group is larger than those reached by hospitalization employer-employee deductions may be partially explained by working wives, together with some difference in definition between taxation classifications and those stipulated for hospitalization deductions.

These figures, however, strongly suggest that the double screening by employer-employee deductions and income tax collections could not reach as many as 250,000 workers in Manitoba. This represents approximately two-thirds of the single persons and family heads responsible for payment of hospital insurance premiums, and less than half of the population 18 years of age or older.

It would appear that 124,000 single people and family heads in the work force are unlikely to be reached by this dual machinery. This may not be surprising since there are a larger number of self-employed, small farmers whose incomes are low, and those who work for a variety of employers who are not required to make deductions. Most of these people would, in fact, have incomes exceeding $600 a year (or $800 for self-employed), but for many, their records would be incomplete or non-existent, and the probability of their making tax returns and sending in the cash required for contributions to the Canada Pension Plan would seem to be extremely remote. This group almost certainly embraces the neediest 25% in the Province.

Realizing that no contributions means no benefits, it seems inevitable that the Canada Pension Plan brings little or nothing to the least fortunate quarter of our work force.

UNDERLYING PHILOSOPHY

The Canada Pension Plan relates benefits to cash earnings. High earnings qualify for high benefits. Low earnings qualify for low benefits, or none if one was not a contributor. It places a final seal of approval on a completely mercenary appraisal of the individual's contribution to society. Monies earned no matter how, determine the individual's benefits. Whatever one deems to be the least worthy occupation will afford a higher pension than the most worthy occupation if one earns more money in its pursuit. The lowest ranking occupation, since no cash earnings are derived, is that of a wife and mother who stays at home.

The Old Age Security Plan, in contrast, treats old age as a *condition* and people as *individual human beings* who have made some contribution to society and are thereby entitled to a measure of support. Its benefits characteristically mean most to those who have the least. Its underlying merit is as valid today as when it was unanimously approved in 1950.

Because so many of our social measures in Canada are universal,—family allowances, old age security, hospitalization, it is far too easy to think of new layers of social welfare as filling the greatest need. It is submitted that, in fact, the greatest need exists amongst those people who are now in trouble, as well as those whose future circumstances will in good conscience call for specific assistance.

The redundancy of our shotgun approach to social welfare as it has developed in Canada can be illustrated by one example. People who must be cared

[1] Source: Page 78 of 1964 Taxation Statistics, Part 1—Individuals, Analyzing 1962 T1 Individual Income Tax Returns, Department of National Revenue, Taxation Division.

for in mental institutions have their total care provided by the government. In at least one province to my knowledge, and perhaps in all, their Old Age Security benefits, less $10 a month for personal comforts are accumulated by the Administrator of Estates of the Mentally Incompetent for their ultimate heirs. The longer the state supports them, the bigger the benefit to the heirs.

Contrast this with a widow supporting herself, waiting for age 70 when she will have $75 a month out of which she must pay her total upkeep.

We obviously need a finer screen and benefits more thoughtfully determined than flat benefits for all, or mathematical formulae which ignore the very wide variations in individual security from other sources.

RECOMMENDATION

The approach which can help all Canadians who are truly in need seems to be a broad expansion of the Old Age Security Act. Retirement benefits earlier than age 70, widows' and orphans' benefits, disability income could be provided immediately for people who now qualify as well as those who will qualify in the future, if Parliament so decides.

The Canada Pension Plan has introduced a new window through which needy people can be identified without a means test. It proposes that all Canadians must reveal their incomes down to $600 per annum through the taxing machinery. It has none of the unpopular flavour which traditionally surrounds a means test. It can shed new light on Canadian social needs and permit a new approach to filling the income needs of Canadians.

The same data and principles upon which Parliament bases income tax assessments could be used for supplementary benefits to people who, from time to time, may qualify.

The new income data which would be available would permit additional benefits to be granted only to those people whose circumstances required them. For example, old age security benefits now payable at age 70 could provide supplementary benefits to people over 65 to bring their incomes up to a level of $900 per annum.

Widows whose income is less than a predetermined level, adjusted for age and dependent children along the lines proposed by the Canada Pension Plan, could have supplementary benefits payable to bring their incomes up to that determined level.

Disabled people whose incomes are less than $900 a year, and with some adjustment for dependents, could have their incomes supplemented to the predetermined level.

Higher benefits could be paid to single old age security recipients to bring their total income up to a predetermined level,—e.g., $1,200 per annum.

Such a philosophy and mechanism could let us direct additional social welfare payment benefits only to those people who need them and only in sufficient amount to fill the need.

Such supplementary benefits as may be deemed advisable could be quickly and relatively simply woven into the Old Age Security Plan. Benefits could be clearly stipulated and known to every informed Canadian. People who are very old, ill, or uninformed as to their rights, could be advised by their families, doctors, social workers or welfare offices, that the mere filing of a tax return giving the necessary data would set the wheels in motion. Instead of being required to pay taxes flowing from their income being over certain limits, they would receive benefits because their incomes are under certain limits, if properly qualified. The monies so distributed would, in fact, be going to those who most truly need them, and at a fraction of the cost of further universal benefits.

Summarizing briefly, I respectfully submit that the proposed Canada Pension Plan should properly be rejected for these reasons alone:

1. The Plan will not benefit those who most need financial assistance.
2. The Plan, by its very nature, widens the gap between economically fortunate Canadians and their less fortunate fellow citizens.
3. If sound, equitable principles are established, a comprehensive alternative available to all Canadians at lesser cost can be achieved through a broad extension of the present Old Age Security Act.

The Canada Pension Plan can be deemed to have served a very valuable purpose in having focused critical public examination on our social welfare problems and by its specific trial solutions pointed the ways to better ones.

(APPENDIX TO THIS BRIEF)

Province of Manitoba Data for the Year 1962

1. The number of single persons and family heads registered for the Manitoba Hospital Services Plan in 1962 is estimated to be 374,000.

This estimate is derived as follows:

(*a*) Manitoba Hospital Services Plan statistical studies provide the number of single persons and family heads registered for the Plan in 1959 364,625

(*b*) The number of Manitobans 18 years of age or older in 1959 569,700

(*c*) Ration of (*a*) to (*b*) ..... .640

(*d*) Application of this ratio (.640) to the number of Manitobans 18 years of age or older in 1962 (585,000 per Dominion Bureau of Statistics Catalogue No. 91-202 September 1962) produces the above estimate of 374,000.

2. The number of single persons and family heads paying hospitalization premiums through employers in 1962 is estimated to be 177,300.

This estimate is derived as follows:

(*a*) Manitoba Hospital Services Plan statistics provide the number of single persons and family heads paying hospitalization premiums through employers in 1959 172,627

(*b*) The total number of single persons and family heads registered for the hospitailzation plan in 1959 (see 1(*a*) above) 364,625

(*c*) Ration of (*a*) to (*b*) ..... .474

(*d*) Application of this ratio (.474) to the number of single persons and family heads registered for the plan in 1962 (374,000 per 1 above) produces the above estimate of 177,300.

(Meetings held after adjournment of the House)

MINUTES OF PROCEEDINGS

WEDNESDAY, January 20, 1965.
(35)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 10:10 o'clock a.m. this day. The Joint Chairman of the Senate section, Senator Fergusson, presided.

Members present:

Representing the Senate: Honourable Senators Boucher, Croll, Denis, Fergusson, Lefrançois, Smith (*Kamlops*), Smith (*Queens-Shelburne*), Stambaugh, Thorvaldson—9.

Representing the House of Commons: Mrs. Rideout and Messrs. Cameron (*High Park*), Cantelon, Côté (*Longueuil*), Francis, Gray, Gundlock, Knowles, Laverdière, Leboe, Lloyd, Macaluso, Monteith, Morison, Munro, Prittie, Rhéaume—17.

In attendance: Mr. Samuel Eckler, Consulting Actuary.

Also in attendance: Mr. J. E. E. Osborne, Technical Adviser to this Committee.

The Joint Chairman, Mrs. Fergusson, tabled a letter received from Mr. F. C. Dimock, Secretary of the Canadian Life Insurance Officers Association, explaining Chart I in that Association's submission presented on January 13, 1965.

On motion of Senator Croll, seconded by Senator Stambaugh,

Resolved,—That the letter from Mr. Dimock be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix A23*)

The Committee agreed that the brief previously submitted by Mr. Eckler be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix A24*)

The Joint Committee introduced Mr. Eckler who summarized his brief, and was questioned.

The questioning being concluded, the Joint Chairman thanked the witness, who then retired.

At 12:30 o'clock p.m., the Committee adjourned until 2:30 o'clock p.m. this day.

Dorothy F. Ballantine,
Clerk of the Committee, Pro tempore.

21757—1½

AFTERNOON SITTING
(36)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reconvened at 2:35 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Boucher, Croll, Denis, Fergusson, Lefrançois, McCutcheon, Smith (*Kamlops*), Smith (*Queens-Shelburne*), Stambaugh, Thorvaldson (10).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Côté (*Longueuil*), Francis, Gray, Knowles, Laverdière, Leboe, Lloyd, Macaluso, Monteith, Morison, Munro, Prittie (17).

In attendance: From The Canadian Manufacturers' Association, Mr. H. B. Style, First Vice President; Chairman of the Board, John Inglis Company Limited, Toronto. *From Aluminum Company of Canada Limited, Montreal,* Mr. R. L. Auger, Manager, Employee Benefits Division. *From Beach Industries Limited, Smith Falls,* Mr. R. J. Beach, President. *From Dominion Bridge Company Limited, Montreal,* Mr. C. C. Belden, Manager, Employee Relations. *From The Steel Company of Canada Limited, Hamilton,* Mr. J. G. Connor, Manager, Insurance & Pension Department. *From The Alexander Fleck Limited, Ottawa,* Mr. L. W. Fleck, President. *From The Canadian Manufacturers' Association, Toronto,* Mr. I Freedman, Manager, Industrial Relations Department. *From Canadian Manufacturers' Association,* Mr. Willis George, Canadian Representative. *From Imperial Oil Limited, Toronto,* Mr. J. K. Marcus, Supervisor, Benefits, Employee Relations. *From Canadian General Electric Company Limited Toronto,* Mr. L. E. Marrs, Manager, Personnel Accounting, Corporate Department. *From Union Carbide Canada Limited, Toronto,* Mr. H. Taylor, Vice President, Industrial Relations. *From The Canadian Manufacturers' Association,* Mr. J. P. Villeneuve, Chairman, Quebec Division Industrial Relations and Vice President, Industrial Relations & Personnel, Johnson and Johnson Limited, Montreal. *From Shell Canada Limited Toronto,* Mr. W. D. Walker, Specialist, Policy & Benefits. *From The Canadian Manufacturers' Association, Toronto,* Mr. J. C. Whitelaw, Executive Vice President and *General Manager. From Honeywell Controls Limited, Leaside,* Mr. L. F. Wills, Vice President and General Manager.

Also in attendance: Mr. J. E. E. Osborne, Technical Adviser to this Committee.

In accordance with a motion passed at a previous sitting, the brief submitted by The Canadian Manufacturers' Association is appended to this day's Minutes of Proceedings and Evidence. (*See Appendix A25*)

The Committee having completed its examination of the delegation, the Joint Chairman thanked the witnesses and they retired.

On motion of Mr. Macaluso seconded unanimously,

Resolved: That a vote of thanks and appreciation be extended to the delegation for its contribution.

At 4:30 o'clock p.m. the Committee adjourned until 8:00 o'clock this evening.

EVENING SITTING
(37)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reassembled at 8:07 o'clock this evening. The Joint Chairman of the Senate section, Senator Fergusson, presided.

Members present:

Representing the Senate: Honourable Senators Fergusson, Lefrançois, Smith (*Kamloops*), Stambaugh, Thorvaldson (5).

Representing the House of Commons: Messrs. Aiken, Basford, Cameron (*High Park*), Francis, Gray, Knowles, Laverdière, Leboe, Lloyd, Macaluso, Monteith, Munro (12).

In attendance: Messrs. Norman G. Kirkland and J. W. Moreland both Vice Presidents of Alexander Services and Dudley Funnell, Consulting Actuary.

Also in attendance: Mr. J. E. E. Osborne, Technical Adviser to this Committee.

The Joint Chairman introduced Mr. Kirkland, who in turn, introduced his two assistants.

Mr. Kirkland made a preliminary statement and was questioned thereon.

In accordance with a motion passed at a previous sitting, the brief previously submitted for distribution by Alexander and Alexander Services is appended to this day's Minutes of Proceedings and Evidence. (*See Appendix A26*). The Committee completed its examination of the witness.

The Joint Chairman then thanked Mr. Kirkland who retired.

At 10:07 p.m. the Committee adjourned until 10:00 o'clock a.m. on Thursday, January 21, 1965.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

WEDNESDAY, Jannary 20, 1965.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mrs. Rideout, and gentlemen, we have a quorum. Before we hear the witness I would like to tell you that Mr. Cameron, as Joint Chairman of the committee, has received a letter from The Canadian Life Insurance Officers Association, signed by Mr. Dimmick, answering some of the questions concerning their chart 1 which was submitted on January 13. I would like to have a motion that this be included in today's record.

Hon. Mr. CROLL: Madam Chairman, I think that is a rather important letter?

The CHAIRMAN (*Mr. Cameron*): Very important.

Hon. Mr. CROLL: It takes about four or five days to get the record, and I suggest that the letter be mimeographed or photographed, and copies delivered to us, because we could question on that in the next couple of days. Is that possible?

The CHAIRMAN (*Mr. Cameron*): I would think so.

The CHAIRMAN (*Hon. Mrs. Fergusson*): You realize that this is chart 1?

Hon. Mr. CROLL: Yes, it indicated there were a certain number of people who were not covered.

Mr. OSBORNE: No, that was concerning the percentage of the gross national product of the United States and Canada.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I have a motion from Senator Croll, seconded by Senator Stambaugh, that Mr. Dimmick's letter on this matter be included in today's record. Do all agree?

—Agreed.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Our witness today is the head of a well-known firm of actuaries in Toronto. Amongst their clients are a number of companies and unions, in at least three Canadian provinces, and I am sure that what our witness will have to say will be from knowledge of the circumstances, and very interesting to us. He is Mr. Samuel Eckler of Eckler, Brown and Company Limited.

May I say first that no doubt you realize, Mr. Eckler, that you do not need to read the whole brief unless you wish to do so. Yours is not very long, but we prefer to have a summary, and then that you answer questions on it, for I am sure all members have read it.

Mr. KNOWLES: The brief will be in the record, of course?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes, it will be in the record.

Mr. SAMUEL ECKLER, F.S.A.: Madam Chairman, members of the committee, I approach these proceedings very much as I used to approach an examination a long, long time ago. I had to get some material ready. I always have to be prepared for questions perhaps to which the answers may prove impossible for me. However, coming before you now, I notice so many of my friends here that perhaps the questions will be more sympathetic than I feared they might be.

I am going to take advantage of your suggestion, Madam Chairman, that I do not read this brief, but it is difficult to summarize a six page brief, because it has already been somewhat summarized. Perhaps, however, I could indicate what I was planning to do in this brief. I deliberately kept it short. I made some statements that I am afraid perhaps are too categorical and should have been severely qualified, but I think in order to make my point I erred in this way. There are three parts to this brief.

May I say at the outset that I have no official axe to grind, that I represent no group but myself.

In our work, of course, we have dealt with many types of plans, as the Chairman has indicated, but I am not here representing them, and I am not here at the behest of any of them. In addition to that, I did not ask any of them whether I should or should not make an appearance. Perhaps I was afraid to. They might have told me not to. I thought I should come here and present my views to you.

The three parts of my brief are these: The first part, which I call an exercise in nostalgia really because it may very well be that this legislation has obtained the concensus of Canadians—at least, the substantive part of it—so it might be difficult to reverse gears and start afresh. I hoped we could, but perhaps this is not a realistic approach. But I do this, I think, perhaps with a view to clarifying what I say later.

In this first part of the brief I do indicate what I think should have been done if we were starting with a clean sheet, and the substance of my remarks there is a series of major revisions in the Old Age Security Plan. I will not list them here; they are all in the brief. However, I do want to highlight two or three things I think are paramount in the Old Age Security Plan and things that will, just by the nature of the animal, lead to problems in the Canada Pension Plan.

The O.A.S. is universal. There are no uncovered areas in the O.A.S. This is one of the major defects, I think, of the Canada Pension Plan.

The O.A.S. is—and this I want to stress—a simple plan. In my private pension plan practice as much as possible we make a great virtue of simplicity. The whole nature of pension plans is complex enough without adding to it unnecessary complexities. The main virtue of simplicity is that people understand what they have. I doubt very much that many people, for example in the United States, understand in a complete way what their benefits are under the U.S. social security. I do not say our plan is more complicated, the proposed Canada Pension Plan, but in certain areas perhaps it is. Really, in studying the bill, that I know this committee has done—and I have not had a chance to study this thoroughly as I would like to—it is an extremely complex document, and even to explain, after one understands it, the escalation provisions, the actual formula by which a benefit will be determined, is a very difficult thing and requires a very sophisticated person, a person with certain specialized skills, mathematical skills, to understand what the benefits are. The O.A.S. did not have this difficulty. It is a flat benefit everybody gets and understands. That is the second advantage, simplicity. The first advantage is universality.

The third advantage—and perhaps this is almost as important as the other two—is that the cost aspects of O.A.S. are pretty clear-cut. It is a pay-as-you-go plan. Unfortunately something that should have been done—and in the suggestions I make for improvements of the O.A.S. it is one of the suggestions I make—is that there should be some fiscal responsibility and a statute should spell out those projections of benefit payments for reasonably long periods of time. This could be done equally for the O.A.S. as is being suggested for the

Canada Pension Plan. When the O.A.S. was started many years ago Senator Croll was on that committee.

Hon. Mr. CROLL: Senators Knowles and Smith.

Mr. KNOWLES: Please, please!

Hon. Mr. CROLL: Well, not "Senator" Knowles.

Hon. Mr. SMITH (*Queens-Shelburne*): Do not mention any names.

Mr. ECKLER: Premier Lesage, the present Premier of Ontario, was chairman of the committee. Projections were made at that time for long periods of time as to what the cost would be. Unfortunately, this type of projection—

The CHAIRMAN (*Hon. Mrs. Fergusson*): You said that Mr. Lesage was Premier of Ontario.

Mr. ECKLER: I am sorry, I meant Quebec. Unfortunately, these projections have not been continued. If they had been perhaps the responsibility in O.A.S. would have been greater, but there is no reason why this could not be done. But the point I want to make is that the cost aspects are pretty clear-cut. We know what we are going to spend for the next 20 or 25 years, and we work out some "contributions"—in quotation marks, because it would not be by contributions from deductions from income, but a certain amount from sales tax, a certain amount from the income tax, and a certain amount from corporation tax. This could be done equally in O.A.S.

I have been somewhat surprised there is some inference this type of financing is only unique for an earnings-related plan. It can be done equally for the flat rate plan, which we have had in operation for some years. At any rate, these are the three advantages today for O.A.S.: Universality, fiscal responsibility, and ease of comprehension. This is the first part of my brief, where I suggest to reverse gears and go back and, as I said at the outset, perhaps this is too late; I do not know.

The second part of my brief is really a plea, assuming this is a fait accompli and this is the concensus of Canadians, and the members of Parliament and the senators who are very close to this situation—far closer than another private citizen would be—then, what do we do? I am making a plea to avoid the fragmentation of the C.C.P. that seems to be coming about. Quebec has indicated it will run its own plan. The newspapers indicate that the Ontario Government is considering the same thing. I do not know about the other provinces. I think there have been some questions raised by one of the western provinces about it, but whether they are considering running their own plan or not, I do not know. What bothers me here is a fragmentation of a plan which should be a unifying rather than a divisive influence.

I make the point a pension plan is not another type of social security measure such as Workmen's Compensation or temporary disability insurance, which you do not have here, or hospital insurance. We could quite conveniently have separate provincial plans without any great administrative complexity, because you do not accrue benefits in these other social security measures. In pension plans you accrue benefits, at least under the Canada Pension Plan, for a long period of time, and it seemed to me this is the type of plan that requires a national rather than a provincial base.

I make a plea here for reconsideration of this, bearing in mind the interest of some provinces in having a voice in this matter. I make a plea: Cannot we still work out some federal-provincial agency which will satisfy the desires of the provinces and also achieve a unitary plan for the entire country? This is the second part. I could talk at greater length on it, but perhaps this will come much later.

The third part is really the one I am least proud of, because I did not do what I would like to have done, gone through many other areas of the bill.

I just picked out certain areas and made comments on them. One is the funding approach that is employed in the plan. By and large I support the type of funding approach which is indicated or employed in the Canada Pension Plan. I do not favour full reserve funding and pay-as-you-go. What has been suggested here is a compromise between the two, where you attempt to level out contributions for a reasonable period in the future. What has been suggested here is a compromise between the two, where you attempt to level out contributions for a reasonable period in the future, which I think here is about 20 or 25 years.

The second part I comment on is the self-employed, and here I agree with the intentions of the framers of the legislation in providing for compulsory coverage of self-employed. However, I question that these intentions will really materialize. I question very much that we will get anything close to 100 per cent coverage of the self-employed, so that even when we talk about the uncovered areas I think we will also have a large group there that will be uncovered.

The third area is the full question of the floor and the ceiling. I did not have the opportunity in the last day or two to read all the discussions that took place at this committee, because I just got the proceedings from the last day or two, but I do know a lot of time was spent in discussions of the ceiling particularly and of the floor.

My own view is that it was a mistake to introduce a floor in the establishment of contributions. I think this was totally unnecessary. and will become an administrative headache.

I suggest that what was attempted in the floor was to provide a graduated benefit but not graduated contributions. This could have been achieved by a somewhat different formula than the 25 per cent. That is, you can graduate benefits as they have done in the U.S. social security program.

The fourth part that bothers me is the large uncovered area, and this again is a matter of philosophy, principles, what we are trying to do.

If the C.P.P. is regarded as an extension of the private pension plan then, of course, what is done here is fine, because these uncovered areas I referred to are uncovered in private pension plans as well. I refer to people not in the labour market and those who have not had a chance to build up private pensions. Now, if the approach here is an extension of the private pension plan, then fine, but I think we are attempting more. This is my assumption at any rate.

Because of the nature of the plan, we have left out an extremely large group of people. I think you have heard this many times before, but for some reason or other we have left out everybody not on the labour market. Certainly there are very few people not on the labour market during their entire lifetime, but just those who are in and out of the labour market for short periods will not build up too many benefits, at least not under the C.P.P.

We have left out the disabled and the retired groups and these also are not on the labour market. We have the difficulty of the 10-year build-up, in that the benefits after 10 years from the inception of the plan will be quite modest and not nearly so generous as for those retiring after 75.

I suggest that these difficulties can only be removed by enlarging the O.A.S. and by shortening the maturity period.

Now, Madam Chairman, perhaps I spoke longer in my summary than I did in the brief. I am afraid this happens quite often but I wanted to give you my offhand comments even if I had to duplicate to some extent my brief. That completes my remarks.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much, Mr. Eckler. I think Mr. Francis would like to ask you some questions.

Mr. FRANCIS: Madam Chairman, I was interested in Mr. Eckler's presentation concerning funding of the Canada Pension Plan. We have had quite varying recommendations on this aspect. A number of actuaries have said that they like pay-as-you-go and one or two have indicated that they go in the direction of complete funding. Do I take it from your brief that you generally support the funding proposals as laid out in the plan itself? Would that be a fair statement?

Mr. ECKLER: Yes, I think it is. Mind you, the fact that it is a 25-year period in the plan is perhaps accidental as well. I have a notion that the 1.8 per cent formula was developed before the actuaries submitted their reports, but by and large, whether it is 20 or 25 years, I like the idea of a projection of costs for a reasonably short period.

As a matter of fact in my brief I suggest we should not even bother with projections beyond 20 or 25 years because it is quite speculative and the cost is averaged out over that period. By and large I support the funding approach that is implied in the plan.

Mr. FRANCIS: Madam Chairman, some actuaries have been critical of what they consider to be loading against future generations, and the same actuaries have, almost in the next breath, said they like old age security as it is, without funding whatsoever, and, at any rate, charging against income. Do you have any views about this loading against future generations?

Mr. ECKLER: This perhaps is quite important. As I indicated in my extemporaneous remarks here, I suggest that the entire thing—not only for the C.P.P. but for the O.A.S. as well—becomes one package in terms of financing. This might involve, of course, a build-up of a somewhat larger fund than is indicated in the Canada Pension Plan. However, whether it is fair to ask the young generation of 10 or 20 years from now—or even the present generation—to finance the benefits of the present old generation, is a good question, if one approaches it from the point of view of private pension plans.

Of course that is not the frame of reference used here. In a basic way this is a redistribution of income from one group to another, and this is the way I would like to approach social security.

So long as the act remains in force I think it is very wise on insisting on a careful examination by an actuary every five years, and insisting that his report be forthcoming before any amendments are made.

The question of what will happen 25 years from now, as I said at the outset, is one I am not sure we can project. I am not sure that we can project that far in advance. I think that is speculative. I think five or 10 years from now we could project another 25 years and take a look then. We could keep the average for this 20- or 25-year period from that point on. This is the approach I like to take.

Mr. FRANCIS: Madam Chairman, Mr. Eckler has made a suggestion on page 2 that the "level of benefits could be varied with relation to the periods of residence in any specific province during the five or 10 years preceding the attainment of minimum age for entitlement to the O.A.S. benefit." This is the first time I have seen that suggestion. Would Mr. Eckler like to expand on what he had in mind here?

Mr. ECKLER: I have been very cautious in all my enthusiasm for O.A.S. because I remember a session I had with the Canadian Labour Congress some years ago where Mr. Anderson and I were on a panel discussing a number of things, private pension plans, social security, etc. At that time I made a strong plea for an O.A.S. scheme rather than an earnings-related approach.

I am afraid I did not succeed, but I was very conscious then, as I have been since in discussions of this sort about the criticisms of O.A.S., that it is

difficult if not impossible to offer the same benefits for groups that have different ranges of income, provincially, between urban and rural areas.

I say here, of course, that I am not concerned about this really. I personally am not concerned. This does not bother me. I think the price we would have to pay for this type of redundancy might well be worth the universality in the common type of benefits for all areas of the country, because needs do not differ that much.

Mr. FRANCIS: Needs do not differ, Mr. Eckler?

Mr. ECKLER: Well, the needs of a person in a low-income area, in terms of basic needs, should be the same as in any other area.

Mr. FRANCIS: Surely, the cost of living is different if you live in Toronto than from what it is if you live in a small rural community in Ontario, or some other part of the country?

Mr. ECKLER: I doubt that the differences are that great between Toronto and another area. Of course, housing costs are considerably different and so are transportation costs, but I doubt that the difference is that great. I still think, even if they were great, it would not be that serious. My point is that the price of this universality, the price of this common benefit, perhaps because of redundant benefits in certain areas, is worth the results that we are going to get from it, such as simplicity and all the other advantages that I have indicated in my presentation.

Hon. Mr. THORVALDSON: Madam Chairman, if I may interrupt, I would like to get the benefit of what the gentleman is saying, but I am quite a way from the front, and—

Mr. ECKLER: I am sorry.

Mr. FRANCIS: I would be delighted to yield to Senator Thorvaldson if he has a question on this point.

Hon. Mr. THORVALDSON: I beg your pardon?

Mr. FRANCIS: Have you any questions on this point?

Hon. Mr. THORVALDSON: No. I was indicating that I could not hear the witness. I prefer not to use the ear phone because, after all, I am not all that far from the witness.

Mr. ECKLER: If I speak at this level can you hear me?

Hon. Mr. THORVALDSON: Yes, that is fine.

Mr. ECKLER: What I have said is that I personally am not concerned about the redundancy in a flat rate plan which might develop if we attempted to produce a minimum subsistence benefit for a high cost area. I think that the price we pay for that would be worth the advantages of a common plan for the entire country.

Your specific question was: Could I develop more this variation by provinces in an O.A.S. type of plan?

Mr. FRANCIS: Yes, I would like to hear your thoughts on this, Mr. Eckler.

Mr. ECKLER: I have not too much to add to what I have said here. It is a thought that came to me. I think administratively it could be worked out. I think administratively residence in a province could be established more readily with the type of residence that is going to be maintained now. We do not, incidentally, resolve the problem of urban-rural differences. We resolve only the differences between one province and another. It may be that the urban-rural differences are far more serious than the provincial differences, but all this can do is resolve some of the provincial differences, and there can be wage indexes developed from province to province. We can use these as a formula by which the benefits could be varied from province to province.

Mr. FRANCIS: Do you not see any difficulties if you had, for example, a slightly higher rate in New Brunswick than in Nova Scotia? My neighbour to the right, Mr. Lloyd, is from Nova Scotia. Do you not think there might be some difficulty in explaining this to some parts of the country—that is, if you have this difference? Do you not think there would be some problems of public attitude about it?

Mr. ECKLER: Madam Chairman, I do not quite see how this thing is any different from the differences that are inherent in the C.P.P. We are just doing it in a roundabout way in the C.P.P., because the differences will also apply there as between one province and another if the earnings level in one province is different from that in another. Perhaps we conceal it, but it is still a general program of redistribution of income. The type of criticism that can be levelled against that type of differential—and as I said at the outset I do not favour it, really—can be levelled equally well in substance against the C.P.P.

Mr. FRANCIS: Thank you.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Senator Croll?

Hon. Mr. CROLL: I have just one question. Your brief covered the uncovered groups. This is a matter that causes me a great deal of concern. Assume for the moment that this is an exercise in nostalgia, I direct you to the first paragraph on page 4 of your brief where you suggest some alternatives. You think that these objectives might be reached in developing an earnings-related plan on some other sort of basis. Would you care to enlarge on that? What is in your mind?

Mr. ECKLER: Well, on page 4 I deal with the second part of my brief in which I make a plea for a common earnings-related plan for the entire country. Even though we have the opting-out provisions that are now in the act I think inevitably variations are going to develop between some of the provincial plans and the federal plan. That part of the brief is really only a plea for a common plan.

I think the difficulties of the uncovered areas will apply there as well, and the only way you can include these uncovered areas is by some rather major enlargement of O.A.S. That is the only way that I can see by which these uncovered areas can be covered.

The group that is not going to get this full pension—that is, those retiring from 1967 to 1975—can only be brought into the covered area by a shortening of that maturity period. The other groups that are not in the labour market, and those already retired, can only be brought in by some amendment to O.A.S. You cannot use the earnings approach to these uncovered groups because there are no earnings on which to base their pension. It might be an idea there to think of some enlargement of O.A.S.

Hon. Mr. CROLL: You did cover this in the brief, but one of the problems of O.A.S., as you know, is the matter of disabled persons, widows and orphans, who are covered under the plan at the present time. I am forgetting about portability for the moment, but you do make some suggestion as to how that could conceivably be done. Is not that administratively almost impossible, or do you see an easy way of doing it?

Mr. ECKLER: That is on page 4. That is the reversion to O.A.S.

Hon. Mr. CROLL: Yes.

Mr. ECKLER: I do not see why there would be any problems in establishing a disability or survivor's or children's or widow's benefit under the O.A.S. approach—none whatsoever. The entitlement to disability would then be a matter of residence with the condition of disability. That is the test you would use, and not the number of years of contributions. The test you would

use would be the type of test we are now using in O.A.S., and that would be age and residence. These are the tests that you would use for establishing the entitlement to benefit.

The level of benefit would be a matter of cost. How high are we going to go? We may think in terms of disability only after 55 or after 50, because of cost considerations. It does not have to be 75. It could be something less. This is a matter of taking a look at the cost, and seeing what can be done with it, but there is no inherent difference in terms of entitlement to benefits between earnings and a flat rate.

Hon. Mr. CROLL: But you do talk about a supplemental plan. That is what caught my eye. This is on page 4 in the first paragraph.

Mr. ECKLER: Well, that first paragraph there really deals only with the C.P.P. What I am suggesting there—I am calling it an earnings-related supplemental plan, and that is another term really for the C.P.P. I have felt for some time that it would have been far clearer—and I have had so many meetings with employees and employers trying to explain what these things are—if we had introduced the entire thing as a package, because the integration of the private pension plan is an entire thing. It is a package. We are going to deal not only with the C.P.P. but the whole of the old age security picture. That is what I deliberately talk about—not the C.P.P. in some areas, but an earnings-related supplement to O.A.S.

Hon. Mr. CROLL: I see. One of the things you did not mention in the plan is the question of integration with the private plans. You have had a great deal of experience with private plans. What do you see?

Mr. ECKLER: Well, I see a lot of work for actuaries. That is one thing that I see.

Hon. Mr. CROLL: Is that bad?

Mr. ECKLER: Not bad for me, but perhaps it is for other people. All plans will have to be re-examined by employers and unions. They will have to take a good look at them. Many unions are asking for a complete decking. They are asking that their plan continue as before, and that the C.P.P. be added on completely, so that the old age employee, if he leaves the working force, will have three benefits—the C.P.P., the O.A.S. and his own private pension which will be continued on the same basis as before the C.P.P.

Even some employee groups that I have spoken to, and these are employee groups who have extremely generous pension plans where the formula might be 70 per cent of the final salary, which is the public servants' approach both in Ottawa and other provinces, are not sure about decking, because they really may be putting too much money aside for their old age and not having enough available for their current needs.

In those generous, liberal type of pension plans, there is bound to be a major modification in the private pension arrangement. The Civil Service modifications have already been disclosed. The various provincial civil service organizations and the various teachers' organizations are taking a good look at their plans to see what they ought to do. These are generous plans. The banks, the financial institutions and some other groups that have generous plans undoubtedly will be modifying their plans. In some cases that will be done with the complete consent of the employees. In some of these public plans, the employees are paying as much as 5 to 6½ per cent of earnings, and this added to the 1.5 on the average of $2,500 or 1.8 above that, would be quite a crimp in their income and might provide a pension at retirement which might mean, including O.A.S., an amount which is out of all proportion to their needs at that time. Obviously, they are going to make some major changes in their plans.

You come down to the lower or bottom area of private pension plans—many union-negotiated plans, others not union-negotiated, where you have a very modest type of plan. In those cases the benefit might be $2 to $2.50 for each year of service. We have seen some worth $50 and $55 in some union-negotiated plans, after 20 years' service.

Certainly there the pressures will be to deck completely, to add the two together without a modification of the private plan. Whether this will happen I do not know, because some of these areas have industries which are marginal and which might not be able to afford contributions of 1½ per cent from employer and 1½ per cent from employee. There might be modifications there, but certainly the trend there might be a continuation of the private pension arrangement.

Then you have the late middle area, not the 2 per cent plans of the Civil Service type, not the flat rate union-negotiated plans on modest levels—because some union-negotiated plans are not modest but quite good. You have a middle area of private pension arrangement, where a common formula would be 1½ per cent to 2 per cent of career average, which might work out at 30, 40 or 50 per cent of final salary.

What is going to be done there? It is anybody's guess. They will all take a look at that and in most cases there will be some modification, but how major it will be I do not know.

As to the question whether there are any insuperable difficulties of integration, I do not think so. I think it can be done. I doubt that very many people will understand what the benefits are going to be. This is a difficulty I see, and this is a serious difficulty.

I am really very much impressed by the confusion rampant in this country about pensions, and it has been confounded by the different uses of terms like "portability". Everybody has a different definition of this term. What is the Ontario plan? It is not a plan, it is just a set of rules. The question is: what is the Ontario plan, what is the Canada plan, and so forth. I think it can be done, but I think it can be done with a lot of anguish and a lot of misunderstanding.

Hon. Mr. CROLL: You said it will be difficult to tell the man what he gets in the way of a pension. In the end, when you have finished and when a plan has been organized and agreed to, and when you have made your study and the employer has made his and the employee has made his, the rules are pretty simple at that stage, are they not, once you have come to a decision?

Mr. ECKLER: I think it is a part, and a good part of good retirement policy, that there should be a lot of discussion with the employer one, two, three, four or five years before retirement, as to the employee's needs and what his resources will be at the time of retirement. Unfortunately, this is not done too often. I think a figure can be given to that employee. There is no question about that. It can be given five years before. My point is that 25 years before retirement or 20 years before retirement it will be difficult to explain to him what his benefit will be in terms of the future. That is the point.

Hon. Mr. CROLL: But you can still give him a figure, the two figures being related in some proximity?

Mr. ECKLER: Yes, a figure could be given to him, there is no question about that. How accurate it is is another question. A figure can be given to him. My point is that the means by which the figure is derived would be difficult to give to him.

Hon. Mr. CROLL: You may or may not be able to answer this question from your study of pension plans in Canada. Can you strike an average?

Mr. ECKLER: In terms of the benefit level?

Hon. Mr. CROLL: Yes?

Mr. ECKLER: I think all members here have the D.B.S. study, a comprehensive study of pension plans that was completed 1960. I have a copy of it here and I am sure most of you have.

I do not think I can strike an average. There are so many types of plans. There are the flat rate which are typical union-negotiated plans, where the benefit may vary from $2 for some individual to as much as $6.50 in some years of service. There are recently-negotiated U.A.W. plans and in these there are very high levels. You also have the career average type of plan. In the case of the union-negotiated one, it might be something like $2, $3 or $4 a month for each year of service. These plans embrace large numbers of employees, because they are the large industrial groups, the industrial unions.

Then there is the earnings-related type of plan, what we call the career-average formula, as in the case of small businesses, where the benefit varies from 1½ to 2 per cent for each year of service. Then you have the straight pension plan, the public service type, the final average salary plans, where they go from 1½, 1⅓ to 2 per cent, together with a very important additional feature, which is almost unique, but not quite, to public plans—what we call the family pension. This is an important part of private pension arrangements. You might find a pension given to an employee on what we call a single right basis, that is, to the employee so long as he lives, 50 per cent of his income; but after he dies there will not be anything left for his wife. If there is an attempt to convert that to a pension for his wife, that will then reduce it below that. These public service plans have another feature, in that the benefit, where it may be $2,500 while the man is retired, reduces to $1,250 to his wife afterwards. This is common in public service plans but not too common in others.

Mr. KNOWLES: My first two or three questions will relate to old age security. Despite your calling this an exercise in nostalgia, we will have old age security with us for quite a long time, so perhaps my questions are appropriate. Would you care to indicate what levels of benefit you think we could have given under O.A.S. if we had gone for an O.A.S. plan only?

Mr. ECKLER: I cannot give you the level. I can only say that whoever is drafting such legislation would obtain from their expert advisers, of which you have a large number here, very capable advisers, a projection of benefits —as the Old Age Security Committee did many years ago in 1950—a projection for 20 or 25 years. They would then take a look at how this money could be raised. In many cases I think it would be raised by a far simpler device than a payroll tax, which is the method of financing the C.P.P. The sales tax would include everybody, even though it is pretty high now, it is still a tax, and so is the payroll tax. I cannot say how high it should be.

I think that this, in a very fundamental way, is a political decision. It is the Members of Parliament, the Members of the House of Commons and the Senate, and the Government, who take a look at the needs and resources and priorities, and then decide. The advantage of the O.A.S. is that it is pretty dramatically highlighted. You know exactly what it is. I am not prepared to say what it can be, but I am prepared to say that it would be more than it is now, if you scrap C.P.P.?

Mr. KNOWLES: If we do not scrap C.P.P., if we keep the two-stage idea, what happens? This question comes under your third heading. You referred to the fact that those now on O.A.S., who are 70 and over, are not given anything under this plan. Do you think that under a joint plan we could meet that deficiency, by making an increase in O.A.S. as well as bringing in C.P.P.?

Mr. ECKLER: We can. It is a matter of dollars—a matter of finding tax revenue for it. Of course we can, if we think it has sufficiently high priority.

Mr. KNOWLES: But in view of your concern that one of the shortcomings of C.P.P. is that it does not provide for the 70 and over population, do you not think we should do something in that area?

Mr. ECKLER: If we have the resources and gave it sufficiently high priority, yes. I think the kernel of my argument is something else, that you get boxed in this way. If you give yourself a C.P.P. as a fait accompli you may have some difficulty in raising the funds required to finance this additional benefit. It might be difficult to have both, be difficult to enlarge O.A.S. to cover these uncovered areas—it would not be impossible but difficult—and to continue with C.P.P.

Mr. KNOWLES: Mr. Eckler, you have made a number of comments on your own in answer to questions about the ways in which money is raised for these plans, and referred to the 433 plan, and also of course to the payroll contributions under C.P.P. I would like to ask your opinion on one subject as applied to both of these collection methods. Do you think it is a good idea that we have the cut-off at $3,000 of taxable income under O.A.S. and a cut-off at $5,000 of initial income under the C.P.P., or would you favour contributions at both those levels, I mean contributions without further benefit than C.P.P.?

Mr. ECKLER: If I understand your question, it is: Would I favour the elimination of the ceiling both for benefits and contributions?

Mr. KNOWLES: No, for contributions. The question is not on all fours with respect to both plans. With respect to the O.A.S. would you favour an elimination of that $3,000 ceiling so as to get more money to do the more things that you think O.A.S. should do.

Mr. ECKLER: The $3,000 floor—

Mr. KNOWLES: I am talking about the $3,000 ceiling. Under O.A.S. the income tax is 4 per cent on the first $3,000 of taxable income.

Mr. ECKLER: You have a problem of collection. The *raison d'être* of the sales tax is that you cover everybody, even people under $3,000. It might be a sales tax, a consumption tax rather than an income tax. I think you would run into all kinds of problems, and I think national revenue would be better qualified to give a professional answer to that question. My reaction is that offhand I would prefer a sales tax approach to the lower income level.

Mr. KNOWLES: Now may I move to a question in the second section of your brief, where you talk about federal-provincial co-operation in the general area, assuming some kind of earnings related plan. I suppose my question is a bit leading or loaded. You come out very strongly for as much unity in this area as possible. You would have liked to see just one plan. You are sympathetic with the Quebec position, but you wish it were possible to have one plan. If we cannot dissuade Quebec from the decision it has already taken, would you think every effort should be taken to persuade Ontario to stay in?

Mr. ECKLER: It is quite a loaded question.

Mr. KNOWLES: You are just considering Ontario?

Mr. ECKLER: I think the dam has been cracked when one province drops out. I am not sure, but I doubt that the problems would be magnified too much if another province dropped out. Once you have one province dropping out you may run into a competitive revision of future benefits by that one province and the rest of them. You are giving one province the right to do what it wishes, and you are straitjacketing the rest of the country.

Once one province opts out, I think the whole principle has been destroyed. The whole idea of the unified plan has been destroyed. Once that is done, and you can't stop it—although I hope perhaps some machinery could be worked out where Quebec could be persuaded to come in—but once that

is done, I might, if I were involved in some provincial legislation, take the position that that other province might go out as well. You run into other difficulties—you have provincial competition as well. It is not entirely black or white, but to some extent it is, the dam has been broken, and you don't have a single plan any more.

I spent a day with the I.L.O. at Geneva last June, and I was very concerned about this fragmented type of plan. I was not able to get the top experts there—they were in Latin America and many other places, but one to whom I spoke was a Canadian from Montreal, an economist. The question I put to him was, "Do you know of any country in the world that has a fragmented pension plan?" His answer was, "No." This is normally the national approach, because of the nature of these things.

Mr. KNOWLES: You wish we could retain that one plan.

Mr. GRAY: Mr. Eckler used a phrase about giving one province the right to do what it wishes. Does it not have that right constitutionally already?

Mr. ECKLER: Completely they have the right, and in other social security plans as well. In the matter of unemployment insurance they would have that right I should think; but I am not a lawyer. I think they have the right in other areas which they do not use, and I think this is the last area in which this right should be exercised.

Mr. GRAY: We are not giving them the right.

Mr. ECKLER: No, this right they have; but it seems to me that in a national plan to cover all provinces, this is the last area in which that right should be exercised.

Mr. KNOWLES: We are not discussing the legal position, but rather what is desirable?

Mr. ECKLER: That is right.

Mr. KNOWLES: May I move to the third section of your brief? I would like to comment on at least one point, and then there is one rather interesting element in it I would like to question you about. You refer to one of the shortcomings of the plan as being the fact that for the first nine years the benefits are rather modest. You indicate that from the tenth year on that is not the case. No doubt you are aware that a great many witnesses at this table have been telling us that there are windfalls and bonanzas, and that sort of thing in the initial years of the plan. Do you wish to comment further?

Mr. ECKLER: It was only yesterday that I had the proceedings of the committee. I glanced through some of them, and I realized that this is one of the major points of attention; but I do not regard this C.P.P. as an extension of private pension plans, although I think that in the thinking out of this plan the framers have done so. If you did not have this ten-year build up, part of this problem would not be as serious. Part of this total benefit is inherent in an earnings related plan as well. That is one of the difficulties. When you have an earnings related plan, and you have a starting point of some time, if you had a zero maturity period and started paying benefits at once, the problem would be there as well, and might be more severe. I do not support an earnings related plan for this reason, and this is another point, but I am not that exercised about this particular question.

Mr. KNOWLES: Granted your basic position which you just restated, you also do recognize that there is a difference between social insurance and private insurance?

Mr. ECKLER: A fundamental difference.

Mr. KNOWLES: That is the reason for these benefits which some people think are generous?

Mr. ECKLER: Yes, because you have to do a lot of averaging in private insurance.

Mr. KNOWLES: I would like to ask a question or two about the $600 figure. I am quite interested in your suggestion, and it strikes me as a bit complicated in view of your earlier suggestion that the plan itself is complicated. But, on second thought, I realize it is not a serious situation. I gather you are asking that people be covered right from the first dollar—that is, that they contribute right from the first dollar—and we achieve what we are trying to do for the low paid group by giving more than a 25 per cent pension on the first $600.

Mr. ECKLER: Or $800, whatever band is set.

Mr. KNOWLES: Might I say that this problem was placed before us the other day by the Canadian Federation of Agriculture in a slightly different way. The Federation did not make your proposal, but the Federation did express concern about the people who are under $600 and get no coverage at all, whereas the $700-people pay on $100 and get coverage for the full $700.

As a matter of fact, if I may take a moment, I asked Mr. Osborne some questions and we got it clear that the $601 man pays on $1 and gets $601-worth of benefit, and the $599 man pays nothing but gets no benefit.

Mr. ECKLER: Yes.

Mr. KNOWLES: I think in terms of our being able to do something by way of amending the plan, you may have given us something very helpful here, and I wish you would expand on it a bit. Is your aim essentially the same as that of the Federation of Agriculture—namely, that we somehow keep in for benefit purposes these people who are below $600?

Mr. ECKLER: There are a number of reasons for this. One is I think it would simplify administration enormously for the employers. I just read this in the evidence yesterday that Mr. Sheppard, in his evidence, indicated there would be about 200,000-odd refund cheques because of the $5,000 ceiling, and one million cheques because of the floor. I think that with all the computers in the world it is quite a job to issue one million cheques. Finding the addresses of people to whom these cheques have to be returned might be the most serious problem. This is an administrative reason, in terms of costs, why I do not like the floor. Then, a sort of counterpoise to that, the same thing could have been achieved by no floor, and this would also answer the problem you raised and the C.S.A. has raised, this horrible one, the difference between $600 and $601. Any time you set up floors you run into this problem. I personally do not quite see the need for it. Outside of the compromise that has been arranged, I do not see the need for a floor. It is cumbersome, it is complicated and creates benefit problems. I do not know who wants it really, and yet it has been put into the legislation. The idea is that it be progressive. You could achieve this the way I suggest just as easily and, perhaps, more effectively.

Mr. KNOWLES: There are before us, in a sense, three propositions: the proposition in the plan, a $600 floor, and no contribution below that level and no credit if you are below that level; and then we have the C.S.A.'s proposal that there be no contributions below that level, but that there should be credit for it.

Mr. ECKLER: You need an earnings record. One of the problems you would have there, if you had no contributions below $600 and a benefit below $600, is how is your administrative agency going to be able to obtain earnings records? I think you are obliged to have contributions for that reason alone.

Mr. KNOWLES: When you suggest the rate of contribution for a certain band be higher then the 25 per cent—

Mr. ECKLER: The rate of benefit.

Mr. KNOWLES: Yes, the rate of benefit be higher for a certain band, do you think that band should be that same figure? Of course, if you wipe out the $600 floor, then that band could be set at any arbitrary point.

Mr. ECKLER: Yes, this again depends on your cost projections, what you want to spend.

Mr. KNOWLES: I am going to ask what percentage you would suggest for that first band.

Mr. ECKLER: I am not in a position to give you a specific answer. It is a matter of taking a look at figures. Once the principle is established that could be worked out.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Have you finished Mr. Knowles?

Mr. KNOWLES: Yes, for the moment.

Mr. LLOYD: Mr. Eckler, may I say first how much I appreciate your establishing your views on broad principle, and then how you attempted to be constructive by saying, "You have a certain situation now. Maybe it is not possible to go back to where you would like to go," and then you say that these are some of the things you propose.

I think your observations on the matter pursued by Mr. Knowles will prove to be a very constructive field of effort for us to examine. However, there are some other things you said that convey information to us, at least to me, that I do not recall being conveyed to us before. Perhaps it was, but there is such a mass of detail that perhaps you will forgive me if I repeat some things that have been discussed on previous occasions.

I believe you mentioned something along these lines—I do not recall the exact words—regarding the mass of members in private pension plans, because of varying rates of pay, periods of unemployment and the like, their percentage of final earnings is something in the order of—what per cent did you say—30 to 40 per cent?

Mr. ECKLER: In private pension plans normally the benefit is expressed as a certain figure for each year of service. It could be, as in the union-negotiated plans, $4 a month, for example, for each year of service. It could be in salaried plans 2 per cent of the average earnings for each year of service. So, if an employee has 35 years' service with one employer, he would obtain 70 per cent of his average earnings throughout his working lifetime. In view of the rapid growth in average earnings, even without inflation, because of productivity changes and so forth, that 70 per cent perhaps drops to 30 or 40 per cent of final earnings, and that is how you get my figure, roughly.

Mr. LLOYD: In other words, for all practical purposes there is a large mass of members of private pension plans who, when they reach retirement age, will be deriving an insurance payment of approximately 30 or 40 per cent of their final average earnings, is this what you are saying? The mass of it is there; they represent upward to 70 per cent?

Mr. ECKLER: I say, if anything, that is probably high.

Mr. LLOYD: If you go to the air line people, who have a special scheme, you go above that.

Mr. ECKLER: Yes, and there is the public service field. It is just a guess, but I would say 40 to 50 per cent.

Mr. LLOYD: It struck me, from the figures of those in that $3,000 to $5,000 salary range, when you look at the mass of people who are in that salary range, obviously the large proportion of people in Canada are receiving pensions in the 30 to 40 per cent area of their final salary?

Mr. ECKLER: Far less than that, because very few employees remain with one employer for their entire working lifetime.

Mr. LLOYD: For this reason the O.A.S. has been very essential?

Mr. ECKLER: Yes, undoubtedly.

Mr. LLOYD: And necessary to the Government to maintain purchasing power in the hands of people. Then we bring it into the economic sector as being of value.

Mr. ECKLER: I am not an economist. I was thinking of the need for security here. This situation is changing in terms of private pension plans—that is, portability in the legislation of all the provinces—and they attempt to diminish the problem caused by movement from one employer to another. And there has been in the private area an enlargement of this formula over the years. There are some employers switching from the career average plan to the final average salary plan, but for the purposes of the terms of the structure that figure is about right.

Mr. LLOYD: The next question I would like to put to you comes from your observations on page 2, item 3, where you are speaking there of the position of married couples. I think you said it would not be a serious administrative problem to adopt the proposals you have suggested. May I ask, wouldn't there be a problem of establishing marital status—for example, common law relationship's, cohabitation relationships, and so on? Would not this be difficult?

Mr. ECKLER: A problem, but not a serious one.

Mr. LLOYD: It would be an administrative problem?

Mr. ECKLER: I am saying that it is not a serious administrative problem. I did not say there was no problem. There would be a problem, but I think this is a problem in many private pension plans as well, where the question of marital status comes up.

Mr. LLOYD: What do unmarried sisters do? For example, there are many cases of unmarried sisters living together in order to provide some means of meeting the cost of living. In this way they economize. Would you suggest that they be in the same category as the married couples for purposes of pension benefits?

Mr. ECKLER: No, I would exclude them, but I cover that in No. 4, when you could provide reduced benefits for those over 65. That would cover these two sisters whom you have mentioned.

Mr. LLOYD: So, from an administrative point of view, while we may get rid of some administrative problems we may certainly add some others. It is a matter of degree.

Mr. ECKLER: There are not very many problems.

Mr. LLOYD: I know how dangerous it is as a Member of Parliament to make any dogmatic statements of principles. They have a way of coming back later to haunt you, so you usually qualify what you say. So what I am going to say now is an observation leading to a question, and it is this: In dealing with matters of public finance generally, I think it is a sound principle to avoid deficit financing on things such as transfer payments and old age security and social assistance programs.

Now, if this is right, the funds that you raise to finance this sort of thing should be pretty well related to the earning sector of the economy, and I think Mr. Anderson was proposing this in his submission. Now, if this is so, then if we extend old age security to cover all the situations that we try to deal with in social system programs, we would be compelled to raise, for example, the corporation tax; we would be compelled to raise the personal income tax and also the sales tax.

Now, it is not just the sales tax alone, but it is a 4-3-3 program.

Mr. ECKLER: Right.

Mr. LLOYD: This bothers me. Is there not some merit in taxing earned incomes up to a level for this kind of purpose from an economic or financial point of view?

Mr. ECKLER: It is a new form of tax. I am leaving my role of actuary here, but much of what I have said is full of opinions, and non-actuarial opinions at that. I am afraid that I am in an area of public finance, and, though I am interested in it, I am not an expert witness on that. However, I really feel that it is a new type of tax, this payroll tax, and it has merit from that point of view. We have not attacked that area before. It is a new form of tax, but, in terms of incidence, I see really no difference between this and the other taxes that we could superimpose on it, and it might be far easier collecting it.

Mr. LLOYD: Are you among those who advocate the refining and improving of the O.A.S. area?

Mr. ECKLER: Yes, this is in the first part of my brief.

Mr. LLOYD: Do you also say that you would continue revenues from that to the 4-3-3?

Mr. ECKLER: Not necessarily. The Finance Department might find other forms of revenue more convenient and sounder, but I do, in my suggestions for revision of the O.A.S., argue as strongly as I can for projections of benefits for long periods of time, and income to support those benefits, which may in periods of depression perhaps act as an encouragement for employment.

Mr. LLOYD: What bothers me is that from the Chambers of Commerce and the life insurance officers we keep getting statements that we should do more in the O.A.S. field and the flat benefit field, but I wonder if they would be as quick to support us if we had to increase (*a*) the sales tax, (*b*) the corporation taxes and also increase the personal taxes to satisfy that field. I doubt it very much. In my mind I think they would holler the other way and we would wind up with nothing for these people retired with 30 to 40 per cent of their average salary on retirement.

This is, practically, a sort of political thing rather than an appraisal of the technical features of the plan.

Finally, I recall your having mentioned that there was a lot of "averaging" in private plans. I think the term "cross-subsidizing" has been used, and some of the witnesses we had before us gave the impression that there was no cross-subsidization in private pension plans. Would you disagree with that point of view in view of your statement?

Mr. ECKER: Well, I have not used the term "cross-subsidization". I did not use it today and I don't want to use it.

Mr. LLOYD: You did use the term "a lot of averaging".

Mr. ECKLER: Let me give you some concrete examples of what I mean. We introduce a pension plan for a low age industrial group; let us say it is the flat rate type of plan. The unions and employers have bargained for a certain amount of cents per hour for pension purposes—three, four, eight or 10 cents an hour. How is this income going to be divided up among the employees of various ages?

It is obvious that if you are going to develop a reasonably adequate pension plan, some of the young have to pay for the old in this plan—some of the old who are close to retirement age, or some already retired or who have another five years to go. If we have a common benefit formula for all the employees they will not be able to pay for all their benefits and this must come from the entire package, and this is where the average comes in.

Mr. LLOYD: In other words, those in the lower bracket by an average process would be receiving more in terms of a paid-up annuity fund, if you like, from their contribution than others would receive.

Mr. ECKLER: The older people. I gave you specific examples of a rather homogeneous group where income level is the same, particularly where the average earnings are between $80 and $120 a week. These are subsidized by the younger generation.

Mr. LLOYD: So that this is what is described as a windfall which exists in private pension planning, in a sense for older people, and when we use the word "windfall", to be really comprehensive, we should observe a difference of degree between the windfall of the private pension plan as opposed to the proposed Canada Pension Plan.

Mr. ECKLER: I don't like the term "windfall".

Mr. LLOYD: Neither do we. Thank you.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Senator Denis.

Hon. Mr. DENIS: Mr. Eckler, I think you agree that the old age security plan is a good one.

Mr. ECKLER: Yes.

Hon. Mr. DENIS: Do you also agree that private contributory plans based on earnings are also good plans?

Mr. ECKLER: Yes, I do.

Hon. Mr. DENIS: Do you also agree that the maximum benefit according to this plan is 25 per cent? That is the maximum benefit we can get is 25 per cent of our earnings?

Mr. ECKLER: Yes, that is the benefit. It is not the maximum. It is simply 25 per cent.

Hon. Mr. DENIS: You agree that if we rely only on 25 per cent of our earnings at retirement time—

Mr. ECKLER: Twenty-five per cent of what they call the adjustment age.

Hon. Mr. DENIS: Do you agree that it is not enough? It is not enough for a good retirement pension—that is, 25 per cent of your earnings?

Mr. ECKLER: Well, that is the very thing on which I think we have slipped up a bit, this whole question of treating this 25 per cent, the Canada Pension Plan, as our old age security plan. It is part of our package; we have $75 as well for everybody over 70, and the two together have to be considered.

Hon. Mr. DENIS: That is what I wanted. You agree that this plan is good as long as we keep the old age pension plan as it is? You must agree that if the old age security plan does not stay in existence, this part of the C.P.P. is not so good? I would like to know if you agree that this is a plan combining the old age security plan and the supplementary addition of this part of the plan.

Mr. ECKLER: Yes, I think the two should be considered as one package.

Hon. Mr. DENIS: Combined?

Mr. ECKLER: But you want to go beyond that, not only for benefit purposes but for cost purposes.

Hon. Mr. DENIS: Then, when you say there are uncovered groups you do not take into account the fact that there are those who will not get at 70 years of age $75 a month?

Mr. ECKLER: Well, you see the old age security of $75 is under an old age plan. It is only at age 70 that it is paid, and it is going to be permitted at age 65. There are no disability or death benefits there at all.

Hon. Mr. DENIS: But do they cover those who are not contributing? Does that part cover—

Mr. ECKLER: Yes, but only for old age; not for disability and survivor's and other benefits.

Hon. Mr. DENIS: Then, it should be added?

Mr. ECKLER: I would say the addition of the supplementary benefits to O.A.S. would solve part of this problem, if we can find the dollars for it, yes.

Hon. Mr. DENIS: So, at the end, if you take away that part where you say there are some groups that are not covered—they are covered up to $75 per month.

Mr. ECKLER: Under O.A.S., but not under the C.P.P.

Hon. Mr. DENIS: But you said that the O.A.S. and the Canada Pension Plan go together, so they are all covered.

Mr. ECKLER: Under the C.P.P.—

Hon. Mr. DENIS: But the C.P.P. is related to the old age security plan because the one does not go without the other; is that right?

Mr. ECKLER: Your point is that as a package—this is, if I understand your point—the uncovered groups do not necessarily dissolve, but they diminish in size because you still do not cover them for disability and survivor's benefits. You still do not cover this ten-year group in this transitional period.

Hon. Mr. DENIS: They will all be covered in 35 years from now?

Mr. ECKLER: Yes.

Hon. Mr. DENIS: 35 years from now they will all be covered?

Mr. ECKLER: Yes, but we are not concerned about 35 years from now. That is my point.

Hon. Mr. DENIS: But there must be a starting point somewhere. I do not think you are a very old man, but did you benefit from the family allowances?

Mr. ECKLER: I beg your pardon?

Hon. Mr. DENIS: Did you take advantage of the family allowances?

Mr. ECKLER: I did not have much choice.

Hon. Mr. DENIS: But if you are old enough you did not take anything out of it, and you are still paying for it.

Mr. ECKLER: That is the very point I am making. I like this honest, straightforward approach. We know what we are paying, and what we are getting, and everybody is covered.

Hon. Mr. DENIS: I know that my father never got the Old Age Pension, but does that mean that the Old Age Pension is not a good system? A moment ago you were worried about future generations.

Mr. ECKLER: No, I was not worried about the future generations.

Hon. Mr. DENIS: The young generation will pay for the old.

Mr. ECKLER: No, I never made that comment. You misunderstood me, or perhaps I did not make myself clear. I am not concerned about this cross-subsidization because I regard this as a social security measure.

Hon. Mr. DENIS: You consider this plan as a social security measure?

Mr. ECKLER: Yes.

Hon. Mr. DENIS: Now, you say that the scope of the old age security system should be enlarged instead of combining the two.

Mr. ECKLER: Yes.

Hon. Mr. DENIS: According to the White Paper, in ten years from now the fund will be about $4 billion.

Mr. ECKLER: Yes.

Hon. Mr. DENIS: So if you suggest that we should enlarge the scope of the old age security we would have to raise $4 billion in ten years from all sources?

Mr. ECKLER: We are raising it under the payroll tax. It is the same idea, the only difference being it is a rather cumbersome method of raising money.

Hon. Mr. DENIS: But the same thing applies so far as the private pension plans are concerned.

Mr. ECKLER: But they are voluntary. I think you can draw a distinction between a private plan and a state plan. One is compulsory and it is there for all time, and the other is voluntary and flexible.

Hon. Mr. DENIS: Have you any idea of what the saving would be administratively if you eliminate the floor of $600? Have you any idea what you would save so far as administration is concerned?

Mr. ECKLER: No, I have not. I did quote the statement of Mr. Sheppard about the million refund cheques. I do not know how much this will cost.

Hon. Mr. DENIS: But do you agree that there must be a staff to refund payments?

Mr. ECKLER: Yes. It can be done. There is no question that it can be done. My only observation was: I do not see why.

Hon. Mr. DENIS: It all depends on how many cheques the computers can issue or how many cheques the staff can issue, but you can use the same staff or the same computer. It may mean that you will need one more computer.

Mr. ECKLER: I doubt that the costs would be that nominal. I think it would be costly.

Hon. Mr. DENIS: You have noted that if this floor of $600 is there it has the effect that a man who earns only $1,000 a year will contribute $7.20 a year, or 0.7 per cent of his total earnings. At the other extreme, a man earning $5,000 a year will make a maximum contribution of $79.20 a year, which is 1.6 per cent of his earnings. This means that the smaller wage earner with this floor will benefit.

Mr. ECKLER: I think he will, and it will remove some of the problems. The suggestion I am making is that we have a flat contribution rate, which is the American plan and has been from its inception. That does not mean we should not experiment, but we should do it with some prudence. I think you can achieve the same thing by varying the benefit and keeping the contribution rate constant for this lower-income person.

Hon. Mr. DENIS: You said it would be hard for an employer to deduct because of this ceiling, but it would be hard only for the first time and then he would be on the same basis—earnings of $100 a month; contributions of 90 cents a month, and so forth.

Mr. ECKLER: I do not say, Madam Chairman, that it would be hard for the employer. I say here that it would be an administrative headache, and I am thinking more of the administrative agency for the Canada Pension Plan than of the employer.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Senator Thorvaldson?

Hon. Mr. THORVALDSON: Mr. Eckler, I have just a brief question. Although this may be a big problem I do not require a long discourse on it. Referring to page 4—indeed, somebody else asked you some questions about this before —you say in the first paragraph:

> I am sympathetic with the desire of Quebec to run its own show . . .

I shall leave that aside for the moment, but you go on to say:

. . . and the similar desire perhaps of other provinces.

I am wondering what is the reasoning behind that statement. I notice that you hedged a bit by using the word "perhaps". I wonder if you would care to expand on that. I ask this question because I know, that my own province of Manitoba, for instance, has not made any suggestion that it wants to get into a wage-related plan, nor have I heard a suggestion that any of the smaller provinces want to do so. Would you care to expand on that?

Mr. ECKLER: The only province I have heard about is the province of Ontario, in which I live. There has been extensive newspaper comments in this particular area, with statements from both the Prime Minister and some of his colleagues.

Mr. KNOWLES: Only one person knows, and he won't tell.

Mr. ECKLER: That is right. I can only record what I read in the press. Certainly there is a lot of discussion going on as to whether Ontario should or should not run its own plan.

Hon. Mr. THORVALDSON: Following on that question, is there a desire, do you think, *per se* of entering the field, or would that desire be prompted by the reasoning that this plan is just not satisfactory and does not fill the bill that the province of Ontario feels ought to be filled?

Mr. ECKLER: Well, there must be reasons for Quebec wanting to run its own show, and the same reasons presumably would apply to Ontario. If Quebec sees some advantages in it then presumably those advantages will apply to the other provinces as well.

Hon. Mr. THORVALDSON: Let us go to your first statement, which is:

I am sympathetic with the desire of Quebec to run its own show . . .

Would you expand just briefly on that, Mr. Eckler?

Mr. ECKLER: Well, the desire presumably may be related to having complete control of these funds which they would have, to some extent, even under the Canada Pension Plan. I think that the control the province would have of these benefits, and the administration of benefits, without going to Ottawa —I think these are legitimate desires in terms of any province or agency.

These must be the reasons for Quebec wanting to run it itself and for having to go to the genesis of the Canada Pension Plan. When the Quebec report of Mr. Castonguay was issued, this plan came out and then the C.P.P. was revised to meet it, to make some compromise with the Quebec plan. Presumably Quebec was going on its own at that point. What the reasons are I can just speculate. I think it is a desire to run its own show.

Hon. Mr. THORVALDSON: Having said that, I presume that in your mind the same consideration might run for Ontario, if it decides to opt out of this plan?

Mr. ECKLER: I would speculate so.

Mr. KNOWLES: May I ask a supplementary in that area?

Hon. Mr. THORVALDSON: Yes.

Mr. KNOWLES: Would you make any comment on the difficulty that Ontario might face because of the fact that it does not have an income tax collection system the same as Quebec already has? Would there not be a burden of expense on Ontario that Quebec have not now and might not this burden affect Mr. Robarts' position?

Mr. ECKLER: I might only speculate again there. While Quebec has its own, it might be that Ontario could make an arrangement with Ottawa to co-operate in using its machinery.

Mr. KNOWLES: You understand that Quebec has its own income tax and machinery for collecting it. We understand that Quebec will be collecting its money through its own provincial administration, and that Ontario might have to set up a similar machinery.

Mr. ECKLER: They have done so in the case of hospital insurance. They have put in elaborate machinery for that. I do not know what the plans are, whether they will try to reach an agreement with Ottawa to collect through the Ottawa machinery or not?

Hon. Mr. THORVALDSON: Mr. Eckler, following upon that, you make a remark which I have not heard made before in any brief, although it might have been included in some other brief. You say, on page 4:

> But surely these objectives could be reached by developing a national earnings-related supplemental plan administered by a state agency representing the federal and provincial governments.

My question is, is it your idea that if such a plan were feasible and acceptable to the provinces, is it your idea that in that event we might have a national scheme of some kind which might include Quebec?

Mr. ECKLER: This is my hope, if it is not too late. I do not know. My hope is that perhaps Quebec's desires could be satisfied in this type of relationship, rather than a plan run by Ottawa by itself, if it were run by some federal-provincial agency. There may be examples of this, but certainly not on this scale. This is a thought that occurred to me. Whether it is feasible or not, or whether it could be considered mildly by Quebec, I do not know. I just throw it out here for what it is worth. I think that that might embody a common plan. What concerns me is not only the administrative problems of various provincial plans but the inevitable variation in benefits that will occur over the years.

Hon. Mr. THORVALDSON: I presume you would agree that in the case of Ontario intending to have a plan, it would involve a planning conference between the federal authority and Ontario, with the objective of working out this plan.

Mr. ECKLER: I think that would be necessary.

Mr. MUNRO: Do you feel that the negotiations taking place through several federal-provincial conferences, with many meetings of top civil servants of both federal and provincial governments in working out the terms of the present plan, have in effect created a single plan? There have been participation and deliberations by both federal and provincial authorities, including Quebec. They were actively consulted and their own plan is, to all intents and purposes, identical with the C.P.P., so it is fully integrable. Does this not go along the road indicated by your suggestion?

Mr. ECKLER: I really do not know how these agreements are reached, but it occurs to me that very often an agreement is made on a very high level and then the civil servants are asked to work it out. I know this has happened in some cases, where the civil servant might object to the difficulties here, but his superior tells him: "Work it out, this is the agreement." It might have happened here, I do not know. It could very well be that the civil servants and the technicians were told "This is an agreement at a very high level, work it out." This is speculative on my part. I was not involved in these discussions but in other areas of which I have knowledge and in which I am involved in governmental affairs, this happens frequently. A high level agreement is reached, with "damn the details and the problems". The administration decides to do this, and the technicians have to work out the plan. Everything is possible, but at what cost? This is my only reason.

Mr. MUNRO: Would not this type of activity, which is fairly common in any federal state, not take place even with your suggestion? If it were a state agency, any suggestions with respect to proposed changes would be discussed at the political level. Would not the provinces and the federal Government have to get together and try to arrive at some consensus and then the technicians work it out?

Mr. ECKLER: Yes, but it would be one plan. This is the point. It would be one plan. My concern is that we will have two separate plans, at least, in Canada, and they will not be identical, they will vary.

Mr. MUNRO: When you say "two plans," what are you referring to?

Mr. ECKLER: If things go on as they are today, it would be the Quebec plan and the C.P.P., which in substance will be comparable—the exact words are "comparable, but not identical"—and I think Miss LaMarsh used them also in her distinction between the two terms.

Mr. MUNRO: Apparently it has been said that the word "comparable" does not have the effect of making a legal obligation for identical plans. It is a strong legal phrase. We do not want to get into legal argument, but I would point out the effect of having this agreement with Quebec. It would seem, as far as the Canadian citizen is concerned, that "comparable" means, for all intents and purposes, that they do have, as far as they are personally concerned, one plan.

There are two provisions in the bill, probably more, which are pretty stringent requirements for provincial approval before any changes can be made. I believe it refers to two-thirds of the provinces, representing two-thirds of the population. There is that type of requirement. There are provisions also in the bill with respect to funding out features, that provincial representatives periodically meet with the federal authorities and with the federal actuary, the officials of the Department of Finance, to review the status of the fund and any necessity for future contributions rate changes, and so on. With this insistence on it being comparable, as far as Quebec is concerned, with the rights of the provinces to full participation in any future changes, with these provisions concerning the status of the fund and other financial implications, I wonder whether those provisions do not go a long way towards the end you have expressed here?

Mr. ECKLER: I think not. This is what is troubling me. I have not seen the Quebec legislation. I do not know who has seen it. My understanding—and I may be very wrong here—is that the provinces will still be given some flexibility, in varying from the federal plan, that it does not have to be identical but that in substance it should be the same. This is what troubles me —what happens five years from now, if the province that has opted out wants to make amendments in it? The two-thirds protection is only for the members of the C.P.P., not for the province that has opted out. That province can make its change three years from now by its own amendment. That is my understanding.

Mr. MUNRO: On that one point, we could refer it to our adviser to the committee, Mr. Osborne. That is the point you have just raised. Perhaps he could amplify that?

Mr. OSBORNE: Madam Chairman, I would refer you to section 115 of Bill C-136, subparagraph 1, which describes an "included province" for the purpose of amending this legislation. It says:

> (1) In this section, "included province" means a province other than the Yukon Territory or the Northwest Territories, except a province providing a comprehensive pension plan unless at the time in respect

of which the description is relevant there is in force an agreement entered into under subsection (3) of section 4 with the government of that province.

That means that if there is an agreement with the province of Quebec, it will be an "included province" and its population will be included in the calculation of two-thirds.

Hon. Mr. CROLL: That is not the point that was made by Mr. Eckler. I understood him to say that the province could follow the plan without regard to the dominion.

Mr. MUNRO: It would all depend if there was an agreement.

Mr. ECKLER: It would depend on the agreement, which we have not seen.

Mr. KNOWLES: But the federal government cannot change that.

Mr. OSBORNE: Madam Chairman, my understanding was that Mr. Eckler said that the two-thirds of the population would not include the province of Quebec.

Mr. ECKLER: That makes it even worse.

Mr. OSBORNE: My point is that the two-thirds would include the province of Quebec.

Mr. ECKLER: I am speculating, but I would think that Quebec would be free to change its plan, but not the federal Parliament. It would need the consent of Quebec to change this plan, but Quebec would not need the consent of anybody else to change its plan.

Mr. OSBORNE: This presupposes that with an agreement between the province of Quebec and the federal government there would be free leeway given to the province to change its legislation in any way it wished without any prior consultation, and I do not believe the framers of the legislation had this in mind.

Mr. ECKLER: I am not suggesting the agreement would be that wide, but that it certainly might permit Quebec to make minor changes in its plan. I am in a very speculative area because the agreement has not been provided.

Mr. MUNRO: I should have put the question that if the agreement with Quebec should co-ordinate the two plans and provide safeguards against variations that concern you, and I am sure all Canadians, then have we not approached the aim you have here?

Mr. ECKLER: No. I think this is black and white. I do not like black and white differences, because nothing is that way, but I think this is because you do give authority to one agency or group to make a change even though it may not be of major importance. What I am suggesting here is something radically different. I am suggesting one plan, not two plans. The agreement which was made in the beginning is part and parcel of the one package. I think there is a difference.

Mr. MUNRO: Thank you.

Mr. RHÉAUME: Mr. Eckler, if in fact all the safeguards are there and the two are identical, and presupposing that any one province will not allow the changes, then would it not baffle you and other Canadians as to why there should be two plans?

Mr. ECKLER: Yes. I make an added suggestion, and perhaps I am going beyond the act. I am suggesting that a joint agency be created, where you might not have this three-month period, I do not know, by which the Canada Pension Plan holds on to three months' funds before the distribution is made.

Mr. RHÉAUME: If in fact we have one plan anyway, your suggestion is that since it affects state and federal agencies, you would create the kind of

federal-provincial agency that would carry on and function permanently, and thereby administrate just one plan?

Mr. PRITTIE: Madam Chairman, I do not feel that Mr. Eckler quite appreciates that apparently there are fewer people in the old-age group in Quebec than in Ontario.

Mr. ECKLER: We have been involved in some of this as to the question of the different funds. I do not see why this could not be done in this joint agency as well. This is the very point I am making—why can you not do this with the joint agency? I am trying to avoid division in this type of problem.

Mr. PRITTIE: I agree with that.

Hon. Mr. THORVALDSON: Madam Chairman, may I say that when I started the line of questioning I did it was no part of my purpose to go into the details of these arrangements of the Canada Pension Plan. My purpose, and I may say frankly that I am sure other members of the committee must feel the same way, was to point out that it would be much preferable to have an all-Canadian plan and that it certainly would be to the national advantage. That is why I mentioned this point.

I take it, Mr. Eckler, that in your view we could have something in the nature of—and I will use a phrase which is employed a great deal—co-operative federalism, that perhaps it might be possible to have a little co-operative federalism in regard to an acceptable plan? Is that what you had in mind?

Mr. ECKLER: I approached this not administratively, when I spoke of the difficulties in a fragmented plan. I am not a lawyer or an administrative expert in government but I am just making a plea for consideration of this approach, if it has any merit.

Hon. Mr. THORVALDSON: Yes. That is all I want to ask you on that.

There has been a lot of discussion about integration and its problems regarding the Canada Pension Plan. As you are aware, in most pension plans contributions are both from employer and employee. Some plans are contributed to by the employer entirely. Are there any more difficulties involved in the Canada Pension Plan than in any other type?

Mr. ECKLER: I would say the answer is no. In fact, there might be fewer problems, because you do not have the problem of what to do with the employee contributions.

Hon. Mr. THORVALDSON: That is all.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Prittie?

Mr. PRITTIE: One question, Madam Chairman, and it is not directed to the brief, but about something to which Mr. Eckler would have some knowledge. I believe it was stated yesterday that seven out of ten provinces had agreed on uniform legislation for private pension plans, and that that legislation would be similar to the Ontario legislation. My question is this: Will similar legislation by all these provinces permit portability within the provinces and between the provinces and private plans? I imagine you are familiar with the Ontario legislation?

Mr. ECKLER: Yes, I was on the Ontario committee.

Mr. PRITTIE: If all provinces adopt similar legislation, will this provide portability in private plans between the provinces?

Mr. ECKLER: I have not seen the official release of this yet, and only know what I have seen in the press. I am familiar with the Ontario legislation and know many members of the commission quite well. I know what they are attempting to do. The objective certainly is to have comparable legislation in other provinces and reciprocal agreements between the provinces. This is the way it would be achieved. You see, the way the legislation works now, if a

person terminates employment he will leave that employment with a little bit of pension stored up. If he should move say to Manitoba, he will accrue more pension. So at the time of retirement he will have little bits in various areas. I presume by that time some agency will be established where these little bits of pension could be tied together. That is not in the Ontario act. The act has provision for that central agency, but no legislation has been enacted to cover it.

Mr. PRITTIE: You are speaking of a central interprovincial agency?

Mr. ECKLER: I would think that would have to be done, yes.

Mr. PRITTIE: Then the Ontario plan will provide for portability, within Ontario at least?

Mr. ECKLER: For Ontario employment, yes. The same would apply to Manitoba, Quebec and all the other provinces. If an employee had a little bit of pension, he might say, "I have been in four provinces"—and he would have a little in each province stored there, and until some agency is developed and all these bits of pension can be merged and remitted, I suppose he would get cheques from each plan. However, I would hope that before that point was reached this would all be handed over to some central agency.

Mr. LEBOE: I have one or two questions, Madam Chairman. First, I was interested in your remark, Mr. Eckler, concerning "windfall" in a question put by Mr. Lloyd. I understood you to say that the windfall, whatever you want to call it, or bonus, was the same in the Canada Pension Plan as in the private plan?

Mr. ECKLER: Not the same. But from one point of view there is a comparable windfall in some situations in the private plan as well. I said I did not like the expression "windfall."

Mr. LEBOE: The difference to me is simply that it is a past services benefit, passed from the employer to the employee without any taxation or contribution by any other employee in the private plan; whereas in this particular plan, certainly there must be some difference. Would you not say so?

Mr. ECKLER: Madam Chairman, I make a distinction between employer and employee in private plans; but in a union-negotiated plan it is very little different, because it is a packaged affair on both sides by agreement, that an employer's contribution could be omitted and given to the employee in higher wages, if he wished. This is my pension plan philosophy.

Mr. LEBOE: This is an arrangement by the employer himself in connection with past services benefits?

Mr. ECKLER: Which comes, in a sense, out of the wage package.

Mr. LEBOE: If we extended it to that we could get involved in the fact the consumer is involved in every sphere of economics, so you have no relevant rung in the stepladder. You go right back to the consumer, in the final analysis, because he pays for it all in any case.

Mr. ECKLER: Maybe we should. I do not know.

Mr. LEBOE: If we do this we are not getting a rung to hang anything on for comparison.

I would ask you this question, why, when we have the O.A.S., should we mix the Canada Pension Plan with it, since the O.A.S. is given as a matter of citizen's right, is it not, universal right?

Mr. ECKLER: Residence.

Mr. LEBOE: The Canada Pension Plan is not considered to be a citizen's right, but a contributory plan according to the way it is set up. One of the witnesses we had before us said he did not believe they were mixed up. I say they are; and you say they should be. I am thinking, for instance, of the

fact you mentioned your fears in connection with two plans. Let us suppose for a moment a province which has opted out of this plan, that is running its own plan, really wants to mix the welfare along with the suggestions made a moment ago when we were discussing it—really want to mix the welfare with a pension plan. Where does it put the rest of Canada if we do not keep the O.A.S. and the Canada Pension Plan separate?

Mr. ECKLER: I am not suggesting they be merged. You cannot merge them. It is an earnings-related supplement to the O.A.S. I am suggesting in my submission, simply in terms of costs and benefits, that may be regarded as one branch, but they are two separate plans. Of course, they are two different types of plan.

Mr. LEBOE: That is my point, because if we get mixing these up we will run into difficulties, and this is where I think we are going to have trouble in getting the people to understand the whole Canada Pension Plan, if we start mixing up the O.A.S. in benefits with a pension plan which is contributory. It seems to me if we carry the two together we are going to confuse the population.

Mr. ECKLER: I am afraid they have to be kept together. If you are an employer setting up a private pension plan you would take a good look not only at the C.P.P. but also the O.A.S. in working out a plan suitable for your employees. They both have to be considered together from that point of view.

Mr. LEBOE: I agree with you as far as a private pension plan is concerned. That is the over-all contribution that that employee would like to negotiate with his employer because of these particular things, but surely, we would not say this about the O.A.S. would we?

Mr. ECKLER: There is something—and I am trying to answer your question—there is something in your question that troubles me, some emphasis on contributions. Whether it is to a social security plan or a private pension plan, I do not personally put that much emphasis on it.

Mr. LEBOE: I have a note here too on that.

Mr. ECKLER: That is why I have been calling the "contributions" to the Canada Pension Plan a payroll tax and not a payroll contribution.

Mr. LEBOE: I did mark in quotations "a social security measure". You are saying you do not believe what we have before us is a Canada pension plan but simply a social security measure?

Mr. ECKLER: I do not want to use terms. You can call it Canada Pension Plan if you wish, but it is a social security measure. That is my point.

Mr. LEBOE: A social security measure could be a lot of other things beside.

Mr. ECKLER: Yes, of course. We have a lot of social security measures in our Canadian program.

Mr. LEBOE: I would hate to see the two mixed up.

Hon. Mr. THORVALDSON: Could I ask a question supplemenary to the question asked by Mr. Leboe? Mr. Leboe referred to the question of a "windfall", and I think we were referring to the fact that various companies, when they establish a pension plan, assume a vast liability and they put a large amount of money at times.

Mr. Eckler, are you suggesting there is any relationship between, if you want to call it, a "windfall", which is certainly a benefit to employees—are you suggesting there is any relationship between those moneys and the so-called "windfall" we have been referring to in respect of any person of 55 earning $5,000 and another person age 55 earning $2,000? The windfall which the $5,000-a-year man gets is about $15,000, and the windfall the other

one gets is $9,000—which, to my mind, are moneys taken from other people. Whereas companies, moneys come out of their own surplus. Are you suggesting those things are the same?

Mr. ECKLER: I am suggesting a direct relationship. I was asked a question by someone else about private pension plans. I indicated that many employees—say the older group of employees—when a pension plan is introduced which bears little relationship to the contributions which they make, get—if you like to call it a "windfall", then call it a "windfall" but in a certain sense it is comparable.

Hon. Mr. THORVALDSON: Could you define "in a certain sense"? It is paid by the taxpayer or the contributor?

Mr. ECKLER: It might be paid to some extent by the contributor, because without this he might have had higher wages or salary.

Hon. Mr. THORVALDSON: Yes.

Mr. ECKLER: If it is a union-negotiated plan it definitely affects the cents per hour that he is getting. It does affect what he gets, so there is a transfer there. I do not like the expression "windfall" and I have always stayed away from it, and I have been pursued on this particular point. When I try to sell a pension plan, as I do, say, to some union members, I try to approach it not from the point of view of a "windfall" but from the point of view that this is necessary for old age security for some of the older members.

Hon. Mr. THORVALDSON: You will agree the windfall received by the $5,000-a-year employee is money which is not his own and which comes out of the public purse?

Mr. ECKLER: Of course, there is no question about that.

Hon. Mr. THORVALDSON: And you will agree the type of money put into a private pension fund by an employer is private funds?

Mr. ECKLER: Yes, they are private funds.

Hon. Mr. CROLL: I understood you to say in talking about private employers that the contribution is different and you differentiate. That was your philosophy. You do not use the term but I use the term and looked upon it as "deferred pay". I use that term.

Mr. ECKLER: Yes, I use it too.

Hon. Mr. CROLL: Did you use it here?

Mr. ECKLER: No, but it is a term I use frequently. That is the reason for my statement that without this provision for past services by employers, in an agreement or private arrangement, the immediate pay would be greater.

Hon. Mr. THORVALDSON: You said "might" and not "would".

Mr. ECKLER: All right, "might".

Mr. KNOWLES: In this whole context wouldn't you agree with the statement I think Mr. Churchill once made that insurance brings to the millions the magic of the averages?

Mr. ECKLER: Yes, sure.

Mr. MUNRO: Following on the senator's point, I think this has to be dealt with too in any pension plan, be it public or private. It is not fully funded. There are cross-subsidies involved, so it is a common characteristic a person does not get back benefits in relation to his contributions. Would that be fair?

Mr. ECKLER: I do not think the question of full funding is relevant. I think you can have a fully funded plan with cross-subsidies too. It means you have sufficient funds in hand to cover your liabilities. The question of where you apply it among the various participants is where the question of cross-subsidies

comes in. Certainly, any element of cross-subsidy in any of these plans would result in the beneficiary getting benefits not related to his contribution.

If I could just pursue another point raised by the senator, I too was interested in your hope for a national earnings-related supplemented plan administered by a state agency representing both federal and provincial governments.

Now, I like to think that actually we have done the very best we can. You mention the term "black and white". I would suggest to you that in all reality in federal-provincial relations there is getting to be no such thing as black and white. It is all grey. However, we have endeavoured to do just this, and I think that the end is very close to what you have indicated here for all practical purposes. For instance, you indicated a concern about Quebec. My understanding is that when they came forward with their own proposals they made several compromises and changes in order to come within the ambit of the Canada Pension Plan as far as provisions are concerned. They altered their ceiling. I think it was $6,000.

Mr. ECKLER: Yes, and the floor was $4,000.

Mr. MUNRO: And they altered the exemption to $600 and the percentage was 4 per cent and the transition period was longer. Do you not think that it seems reasonable, if they are prepared to make these several changes in order to have comparable provisions with the Canada Pension Plan, and it is certainly indicative, that they are prepared to enter this type of agreement? Certainly it would indicate that they are trying to arrive at a consensus and come to some agreement so that the plans will be fully integratable, and in that sense we are having one plan as far as all the principal features are concerned —contributory rates, benefits, and so on. In other words, all this has come about from the agreement between federal and provincial governments, which is the essential element in your own suggestion.

You are not going to get a state agency representing federal and provincial governments without endeavouring to come to the same type of consensus either.

Mr. ECKLER: I would like to think that you are right, but I am doubtful. Because of the way things operate in institutions, everything becomes institutionalized—institutions have been generated and developed in Quebec, and there is one in Ottawa—and institutions have their own self-preservative power and go on by themselves.

Certainly this agreement will be made with the most careful attention to detail, but the fact remains that this is going to be a separate plan, and Quebec will have separate legislation which can be amended by any future legislation in Quebec. This is what has troubled me. There can be a change of government and all things may happen, and that plan can be changed.

If you can draft an agreement now between the provinces and the federal Government which will take us down the next five years, then that is fine. But I am sceptical about it.

Mr. MUNRO: To the degree that any government, federal or provincial, can repudiate the action of its predecessor at the same governmental level, and thus ruin the uniform features of any legislation, this type of action can also destroy your concept here, can it not?

Mr. ECKLER: I don't think so, because I am suggesting a new institutional framework. This is the fundamental point which I am making here. It will live by itself as well, whereas you are suggesting two institutions, maybe three —I don't know—and each one will live by itself and this is my concern. Granted that you can change the institutional framework, these have to live and work by themselves.

Mr. MUNRO: In order to guarantee against any future changes in your concept you are contemplating constitutional amendments.

Mr. ECKLER: No, I am suggesting setting up an agency. Whether that would require an amendment, I don't know; I am not a lawyer. I would doubt it, though. It is just a suggestion that I am making which I think might have some merit and should be considered.

Mr. MUNRO: I was just going to suggest that even such an agency, without a constitutional amendment necessarily, could be repudiated by a subsequent provincial administration different from its predecessor, and so on.

Mr. ECKLER: It would be more difficult, though.

Mr. MUNRO: A little more difficult.

Mr. ECKLER: Yes, that is the point.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Is that all?

Mr. MUNRO: Yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Senator Smith.

Hon. Mr. SMITH (*Queens-Shelburne*): Madam Chairman, I tried to get your attention several times.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I am sorry.

Hon. Mr. SMITH (*Queens-Shelburne*): That is all right, I am very patient. I have two very short questions, both referring to matters discussed before. The first subject is that of integration. I would like the benefit of your advice from your experience and I know it should be good advice. I would like your advice as to what percentage of retirement income from present pension plans you would consider to be generous—or as some other brief before us put it a few days ago, "satisfactory" rather than generous—above which level it would be unwise to add the Canada Pension Plan benefits and the O.A.S. benefits as well.

Mr. ECKLER: This is a relative thing whether it is generous or not generous. Some of you may know that the Canadian Welfare Council is going to run a conference on aging within the next year or two, and we had some meetings on this very question: what does a pensioner need to live on? It is a very difficult question to answer. What is generous? I really don't know.

I think the job here is to compare benefits to costs. Take a look at other needs. Certainly, the benefits should have some relationship to minimum living costs, which vary from place to place, of course. In private pension plans we always consider 70 per cent quite generous as a settlement because this is one of the richest plans we have in Canada. This might be the upper limit of the Canada Pension Plan, 70 or 75 per cent. I don't know what is the minimum. I am not really prepared to say.

Hon. Mr. SMITH (*Queens-Shelburne*): What you are saying is that when a person at the day of retirement is making more than he did the day before he retired that is going too far.

Mr. ECKLER: I would say that is excessive. It is redundant. It could happen, though, mind you, if we enlarged the O.A.S. considerably beyond the $75 level. It could happen and they would have more income than they had before. However, this will happen so rarely as to be not serious.

Hon. Mr. SMITH (*Queens-Shelburne*): The other subject has to do with the minimum earnings level for participation in the plan. Are your chief reasons for suggesting that the $600 minimum should be removed concerned with administration?

Mr. ECKLER: In my brief that was my chief reason.

Hon. Mr. SMITH (*Queens-Shelburne*): That is what I gathered, but I was not quite sure. Thank you very much.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any other questions?

Mr. MONTEITH: Madam Chairman, it is 12.30.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes, I know. I would like to thank our witness for preparing the brief and coming before us to present it and for supporting it and answering so many questions so very patiently.

Mr. ECKLER: It has been a pleasure, Madam.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I would like to say, as Mr. Lloyd did, that it was quite interesting and refreshing to find that, although you have criticisms, your presentation was not all critical, but that you put some proposals before us. Whether we accept them or not, I assure you we will consider them.

Mr. ECKLER: Thank you very much.

AFTERNOON SITTING

WEDNESDAY, January 20, 1965.

The CHAIRMAN (*Mr. Cameron*): Ladies and gentlemen, we have a quorum. I understand that Senator Croll has something he wishes to say.

Hon. Mr. CROLL: Mr. Chairman, I should like the department to have some information made available for me and the other members before we start considering the bill, whenever that time comes, and I should like this notice to reach the department so that they have ample opportunity to prepare it.

I would like to know: Under O.A.S., what would it cost to provide at 65 a disability pension and a pension for women of 65, widowed or single.

In addition to that, I should like to know what would it cost under O.A.S. to increase the pension for those who are now 70 to $80, at 75 to $85, at 80 to $90, at 85 to $95, and at 90 and over to $100.

The CHAIRMAN (*Mr. Cameron*): If you will give me that sheet of paper you have I will give it to Mr. Osborne.

Hon. Mr. CROLL: I hope you can read my writing. You will have fun.

The CHAIRMAN (*Mr. Cameron*): You have heard the request of Senator Croll that we ask our economic adviser to obtain this information for him. Is it agreed that we get this information? That is agreed.

Mr. Knowles, I am dealing with a request by Senator Croll for certain information as to what the costs would be in regard to certain increases in the pension under O.A.S. at the age of 65, 70, 75, 80, 85 and so on. The committee has agreed to ask Mr. Osborne to get that information for us.

Mr. KNOWLES: I am very pleased to agree. As a matter of fact I was thinking of asking for similar figures myself. May I ask what the dollar figure is?

Hon. Mr. CROLL: I asked for the dollar figure under O.A.S. to provide at 65 a disability pension and a pension for women, widowed or single, at 65, and under O.A.S. an increase of $5. Those who are now 70 receive $75, and I am asking what it would cost if they receive $80. I am speaking about an increase of $5 every five years until you get to the age of 90 and over when it will be $100.

Mr. KNOWLES: What I was going to ask can be computed from that. I was going to ask what an increase of $10 would cost at 70, but I can do the multiplication.

The CHAIRMAN (*Mr. Cameron*): This is an increase of $10 at 80.

Hon. Mr. CROLL: It is $75 now.

Mr. KNOWLES: I was going to ask for the cost of an increase of $10 at age 70, but the information that Senator Croll has asked for will fill the bill.

The CHAIRMAN (*Mr. Cameron*): Thank you.

Mr. KNOWLES: Mr. Chairman, since we are asking for that information I wonder if we could ask the department also if they can give us any figures as to what it would cost to treat everyone as though he had $600 income. I am referring to the Canada Pension Plan, and I am referring to the discussion we had with both the Canadian Federation of Agriculture and Mr. Eckler this morning. Is that a figure that can be computed?

Mr. OSBORNE: Mr. Chairman, I should like to consult with the Department of Insurance before answering that question.

Mr. KNOWLES: I shall be glad to defer my question until that conference has taken place.

Mr. OSBORNE: Is the idea to blanket in everyone who has retired prior to the commencement date of the plan at $600, or to take everyone in the labour force who has not participated in the plan in any particular year and attribute to him a $600 income?

Mr. KNOWLES: What I am asking for is information based on the assumption that we blanket in everyone as though he had $600 income. In other words, since we are giving credit for $600 income at no cost to those who are in the plan I am asking what it would cost to blanket in the rest. This is an idea generated in part by what Mr. Woods said the other night, and also another delegation. The effect would be to give everyone under the Canada Pension Plan who is of retirement age a platform of $600 to start with.

Mr. OSBORNE: The effect would be to have the universal flat rate benefit plus an additional flat-rate benefit?

Mr. KNOWLES: The effect would be to give everyone $600.

Mr. OSBORNE: This would not be restricted to those participating in the labour force?

Mr. KNOWLES: That is right.

The CHAIRMAN (*Mr. Cameron*): Is it agreed that we seek this information, subject to Mr. Osborne's checking with the Insurance Department? That is agreed.

We have before us this afternoon The Canadian Manufacturers' Association. You have had an opportunity of reading their brief. There is a considerable number in the group appearing this afternoon. Mr. H. B. Style is the First Vice-President of The Canadian Manufacturers' Association, and is Chairman of the Board of John Inglis Company Limited of Toronto. I understand that Mr. Style will introduce those who are accompanying him, and that Mr. Taylor, who will be introduced as the Vice President, Industrial Relations, of Union Carbide Canada Limited of Toronto, will be their main spokesman. Mr. Style?

Mr. H. B. STYLE (*First Vice-President, Canadian Manufacturers' Association*): Mr. Chairman and members of the committee, I have already been introduced so I shall not re-introduce myself. I am here as First Vice-President of the Canadian Manufacturers' Association, and I should like to express on behalf of my colleague and myself our pleasure at being afforded this opportunity of

appearing before this joint committee of the Senate and the House of Commons so that we may make known the views and recommendations of our association with respect to Bill C-136, to provide for the Canada Pension Plan. I make these comments in the absence of Mr. A. A. Cumming, who is unable to be with us this afternoon because of illness.

Before I introduce our representatives to you I wish to assert that our association supports the principle of uniform contributory pension legislation for Canadians within the framework of a single plan which is centrally administered.

May I now present to you the representatives of C.M.A. Our principal spokesman will be Mr. Harry Taylor. I am going to ask the members of the C.M.A. delegation to rise when I mention their names so that you will know who they are.

Mr. Taylor is Vice-President, Industrial Relations, of Union Carbide of Canada Limited, and he has headed up the committee that has studied the pension plan for C.M.A.

Mr. R. L. Auger, Manager, Employee Benefits Division, Aluminum Company of Canada Limited.

Mr. R. J. Beach, President, Beach Industries Limited, Smith Falls.

Mr. C. C. Belden, Manager, Employee Relations, Dominion Bridge Company Limited, Montreal.

Mr. J. G. Connor, Manager, Insurance and Pension Department, The Steel Company of Canada Limited, Hamilton.

Mr. L. W. Fleck, President, The Alexander Flex Limited, Ottawa.

Mr. I. Freedman, Manager, Industrial Relations Department, The Canadian Manufacturers' Association, Toronto.

Mr. Willis George, the Ottawa representative of The Canadian Manufacturers' Association.

Mr. J. K. Marcus, Supervisor, Benefits, Employee Relations, Imperial Oil Limited, Toronto.

Mr. L. E. Marrs, Manager, Personnel Accounting, Corporate Department, Canadian General Electric Company Limited, Toronto.

Mr. J. P. Villeneuve, who is the Chairman of the Quebec Division Industrial Relations Committee, and also Vice-President, Industrial Relations and Personnel, Johnson and Johnson Limited, Montreal.

Mr. W. D. Walker, Specialist, Policy and Benefits, Shell Canada Limited, Toronto.

Mr. Jack Whitelaw, Executive Vice-President and General Manager, The Canadian Manufacturers' Association, Toronto.

Finally, Mr. L. F. Wills, Vice-President and General Manager, Honeywell Controls Limited, Leaside.

Now, Mr. Chairman, I would like to ask Mr. Taylor to carry on as our spokesman.

The CHAIRMAN (*Mr. Cameron*): Thank you very much, Mr. Style, for the list of members of the delegation. Mr. Taylor, our custom has been to suggest that rather than read the brief, as it will be printed in the Minutes of the Proceedings, that you give a summary and then we ask questions regarding the brief and the summary.

Mr. H. TAYLOR (*Vice-President, Industrial Relations, Union Carbide Canada Limited*): Mr. Chairman and members of the committee, I will follow the procedure indicated by the chairman. By way of preliminary remarks, I will introduce the various points which the association urges should receive from this committee the attention which they deserve, as we think they should be incorporated in whatever plan finally emerges.

We are fully aware that there may be constitutional and related problems involved in the development of a single national plan centrally administered, but it is our view that many people in Canada would in fact prefer a single centrally administered plan. It is also our view that many of these people would welcome further negotiations between the federal Government and the provinces, having as a purpose a single plan centrally administered. Obviously, it is our hope that in such a plan full recognition would be given to the points which we are urging upon you.

It is not our intention to support or challenge the actuarial assumptions as such on which the Canada Pension Plan is based. This has to do with the various points appearing in our summary at page 13.

I have commented briefly on point 1 and I propose to follow that sequence. It might be convenient if you would be kind enough to refer to that summary. I propose to move on now to point 2 as listed in the summary on page 13 of our submission. I repeat that it is not our intention to support or challenge the actuarial assumptions as such on which the Canada Pension Plan is based. However, we do feel there is an extremely large amount built up in the early years by way of advanced funding. We do not believe this is required to the same extent as the plan contemplates. We realize of course that if there is a lower input in the early years there would of necessity have to be a higher input in the later years, if the actuarial assumptions turn out to be correct. However, it is the association's view that this is a risk which should be undertaken by the Government during the build-up years and adjustments made as circumstances dictate when the plan is appraised from time to time.

We recognize of course the need for a modest reserve, as our brief indicates. We think it is essential. Those reserves, perhaps, would be to meet contingencies, emergencies of one sort or another. However, we are not prepared to state what this reserve should be in any stated sum. We believe this is properly a matter for the actuaries to determine.

Moving to point 3, a great deal has been said about the need for educational assistance. While the association is not pleading the case for educational assistance, it does believe that the proposed Canada Pension Plan provides an opportunity, in a small way, to contribute in this direction by exempting bona fide students from making payments into the pension fund from temporary employment earnings that they may enjoy between school periods. You may know that the exemption is related by definition to the one you yourselves have used in the bill, having to do with a dependent child and it is lifted in fact from that reference.

In respect to point 4, and introducing it, the proposal is to eleminate the $600 exemption. We advance this mainly for two reasons. First, to provide benefit for those people whose earnings are below $600, by permitting them to participate and have access to a minimum benefit which is proposed in our brief and which amounts to $150 in so far as that $600 is concerned. That is to say, we would urge that the $600 be used as a basis, even though a person's earnings were something less.

We believe this particular point is extremely important. We think it is important not only to manufacturers but to others and also important surely to the Government. We foresee terrific administration difficulties in giving effect to this sort of exemption, by reason of possible overpayments and perhaps some refunds.

With regard to point 5, the association is very much concerned about the provision in Bill C-136 to fasten the main features of the plan to moving indices or what otherwise might be identified as a form of escalation. It might be argued that the 2 per cent per year is itself a safeguard against a runaway situation.

Our concern, however, is deeper than this. It has to do with precommitted increases in accordance with a set of values which themselves are affected by a further set of increases and which would go on *ad infinitum*.

Some members here may recall that I personally happened to be identified with the War Labour Board during the war years, administering a law which then had to do with wage control and the automatic cost of living bonus. A point was reached where it was impossible to continue it. We had to abandon it completely. It is for this reason that we feel it would be a mistake for the Government to embark on a precommitted situation and then as a result we suggest that the review period should be introduced.

I might take together points 6 and 7, which are interlocked. The association believes that the normal retirement age of 65 is a suitable age, but they are concerned that certain people in fact do wish to withdraw from the labour force before this, for a number of reasons some of which we have listed in the brief and which I will not recount here.

We also are aware that a great many private plans do provide for normal retirement on a compulsory basis for women age 60, and there would be no opportunity for them to have access at this point to the benefit contemplated in the Canada Pension Plan.

It is our view that there should be some access to this fund and it should not act as a deterrent to early retirement for those people who feel they must withdraw for health or other reasons.

However, the plan as presently drawn does seem to us to preclude early withdrawal from the labour force. As you well know, the age in the United States is 62—although we are not in the United States, of course.

With respect to point 8, this ties in very closely with early retirement, in the sense that it deals with the amount of money which determines whether or not a person is in fact in a retirement status and therefore eligible for retirement. It is our considered view that this is not adequate at its present level.

We included in our written submission reference to income tax exemption. It has been stated publicly and in a number of cases. We are assuming that it will be recognized. However, we thought it important enough to incorporate it. The suggestion is that the employer's share should be allowed on a business expense and that the employee's share should be a tax exempted amount. We have carried it one step further and have asked you to keep this in addition to the current basic exemption of $1,500.

Finally, in introducing the several points, we are suggesting that disability benefits for employees be exempt from income tax. I do not know that much need be said about that. It is exempted on an insured basis; it is exempted, I believe, in some other countries, including the United States.

Mr. Chairman, that might suffice at this point by way of introducing the various points which the association wishes to place before you. We will be pleased to answer any questions which we can, and we have here people on whom we may call should the need arise. Thank you.

Mr. LLOYD: Mr. Taylor, personally I am sure I am expressing what other members have expressed as to how much we value your making this presentation to us and the constructive way in which you point out certain matters which should occupy our consideration.

I am interested in this problem of the floor below which we are not taxed. I know that you say you wish it eliminated. We had a similar recommendation this morning from a Mr. Eckler. What I am particularly interested in is the section dealing with the application of the contributions beyond age 18. I believe that you believe the 10 per cent drop-out will not give equitable treatment to persons who continue their schooling beyond 18, and your association

suggests that persons over 18 but less than 25 years of age who are in full time attendance at a school or university be exempted from coverage. There are other ways in which we can achieve somewhat the same objective. I am wondering if we might have the benefit of your views on alternatives. One, for example might be to average a contributor's earnings over the period from the age say 21 to the date of his retirement or disability and to allow a drop-out of 10 per cent of that period while retaining the payment of contributions from age 18; or to increase the drop-out of 10 per cent to 15 per cent or 20 per cent. Could we be favoured with your comments on those alternatives?

Mr. TAYLOR: Yes. Perhaps I might comment and then ask one of our representatives to share in this particular discussion.

The first point you make with respect to age 21, and having to do with the drop-out, would meet part of the problem, but not all of it, because we are trying to achieve a double purpose; one, the first one you indicate, and number two would be to excuse this young fellow from making whatever payments he would be called upon to make and so might assist towards his education in a small way. I am quite sure your thought did extend to the second point, although the alternative you offered had only to do with the first. Did you wish to go farther than that on this point? You are familiar with the thing. By way of illustration we could show you its impact, if it would be helpful.

Mr. LLOYD: Yes, I think it would be helpful.

Mr. TAYLOR: Then I will call on Mr. Marrs to deal with that.

Mr. L. E. MARRS (*Manager, Personnel Accounting, Corporate Department, Canadian General Electric Company Limited*): We have done a little research on this matter, and judging by Ontario school standards a man to complete a university education with a four years course would be 23. It is suggested that this would be a rather unusual person, and that probably that average should be 24, that is, at least five or six years beyond age 18. Therefore, age 21 meets part of that, as Mr. Taylor has pointed out.

The other point he made was that such a man working—and this was quite usual—to assist in paying his fees, would have this particular period to make contributions over the $600 figure. Admittedly, some people do not make more than that, while others work as long as they can and do considerably better. It is quite possible for a person working for the full period not to exceed $600, which would be an additional drain on the father, or the other father—the contributions made by governments for loan plans for students. Therefore, your suggestion meets one part and not the other.

Mr. LLOYD: One other question, Mr. Taylor. In representations made to us, quite a number of them dealt with the idea of urging government not to adopt the Canada Pension Plan but instead to improve upon the benefits in the flat rate field under the O.A.S. act and other related measures; but we find it extremely difficult to get any guide lines from the advocates of this policy as to how far we should go with that improvement. However, it was implied that if you continue the O.A.S. you would have to continue financing probably on the basis of 4-3-3, whatever the formula is.

Mr. TAYLOR: It is 3-3-4.

Mr. LLOYD: Now, under the proposals here of the wage rate scheme, we do bring in a great many people at the present time who are exempted from income tax and make contributions to the pension plan, and this is relating it to the earning field. What sort of recommendations do you favour, whether O.A.S. or Canada Pension Plan?

Mr. TAYLOR: Actually we are quite satisfied to have a wage-related plan, subject to the modifications that we are urging upon you. It is true that there is perhaps a place for both types. We are not suggesting that you abandon the

other. My difficulty with some of the advocates of the abandonment of the Canada Pension Plan in favour of the old age security approach is that one plan is not a funded plan and yet most of the difficulties that we are concerned with seem to arise out of the large accumulation of funds in the wage related plan. For that reason we are inclined to say that if you improve the wage related plan it is an acceptable method, a desirable method, from our standpoint, as opposed to going all the way down the other. I think they are two separate and distinct needs, and are compatible. I think they complement one another because they do to some extent meet different needs.

Mr. LLOYD: The problem I see is that those who advocate the extension of O.A.S. keep forgetting, it seems to me, that you are exposing yourself to more political pressures, political expendiency, in regard to flat benefits instead of making everybody aware in Canada that when it comes to social welfare payments they have got to be related to the earnings. You cannot defend deficit financing of welfare measures. You might deficit finance those things in the national economy which are calculated to contribute to growth at a future date, but you certainly cannot deficit finance welfare measures. How do you feel about this?

Mr. TAYLOR: Well, actually I think we are concerned, because it seems to relate itself to who pays for it, when you sort it all out; and in the O.A.S. approach, it seems to me that it itself is a form of tax and is not as such allowable business expense, whereas a wage related plan is. For many situations it would seem to me to be desirable if one looked at it selfishly. We have been trying to take a broad view of this thing, instead of viewing it selfishly. If we did that, I think that if we were sure of our net tax position we might conceivably have urged that you abandon the other, but that is not what we are asking you to do.

Mr. LLOYD: Now I see why you are emphasizing tax deduction, and I think your point is well taken. Thank you, Mr. Taylor.

Mr. CANTELON: Mr. Lloyd has covered the argument on that point, but I want to refer to that particular phase. I was much interested in your comments on page 9, paragraph 33. I think I might comment here that as far as I am concerned, I am a schoolteacher and interested in this earlier retirement position which you refer to, because it is going to affect people who do retire generally at earlier than 65. Consequently, I would be happy with regard to this plan to have you make a full statement.

Mr. TAYLOR: With your permission, Mr. Chairman and gentlemen, perhaps I might ask one of my colleagues, Mr. Marcus, to elaborate on that. He perhaps has some more detail than I have with respect to it, so with your consent, perhaps Mr. Marcus might deal with that.

Mr. J. K. MARCUS (*Supervisor, Benefits, employee relations, Imperial Oil Limited*): Mr. Chairman and members, as we see it there are two interrelated recommendations we place before you. I think the second one, as to actuarial reductions, is quite sound. That is, the second recommendation, Mr. Chairman, as to actuarial reduction of the Canada Pension Plan benefit and the Old Age Security benefit, we feel, is sound and presumably carries no additional cost with it.

The other recommendation, I think, has this connotation to it. The contributory period under the proposed plan, of course, is all years between age 18 and age 65. There are examples in our brief, and in one we illustrate an example of an employee in this case who is age 45 at the introduction date of the Canada Pension Plan, which we have as of January, 1966, and then who, for any

number of reasons, withdraws from the work force at age 60, as opposed to age 65, and we see this result coming out in the pension results. Number one, his contributory period would be from age 45 to age 65, which is a period of 20 years, of course, but the proviso to arrive at the Canada Pension Plan result is a 20-year period rather than the actual 15-year working period this particular individual had. The result of this is to evoke a penalty on the employee because, in effect, he is being penalized for the remaining five years, from age 60 to age 65, during which he was not working.

True enough, there is 10 per cent allowable under the plan. This 10 per cent allowable in the case we illustrated would give a relief of two years. But, on the other hand, it may be the 10 per cent allowable should be more properly used at an earlier stage in his career, when he had either no earnings or very low earnings.

So, to recap our submission, we feel it might be not only proper but fair that where an employee actually leaves the work force prior to age 65 he not be penalized for the years prior to age 65 when, in effect, he was not at work.

Mr. CANTELON: In other words, if you use the period from age 60 to 65 as the period in which he does not work, these are the years of the highest income, normally, hence he is penalized because he cannot use the low years when he started?

Mr. MARCUS: That is quite true.

Mr. KNOWLES: Mr. Chairman, as a some time critic of the Canadian Manufacturers' Association, I would like to have a few seconds to say it is very welcome to have a brief that may not agree with our plan, but that accepts the fact we are going to do something and proposes to make certain suggestions. I may balance that before I finish.

I am quite interested in your reference to the $600 minimum. As a matter of fact, you heard me ask for certain information about this before you took the stand.

Mr. TAYLOR: Yes.

Mr. KNOWLES: The plan itself provides for a $600 minimum, below which there is no contribution, and in such cases there is no credit.

Mr. TAYLOR: No benefit.

Mr. KNOWLES: Yes, no benefit. We had the Canadian Federation of Agriculture before us a few days ago, and their representatives were concerned about this. Their suggestion was that there continue to be no contribution for anyone below $600, but that there would be credit for the first $600, as though that amount had been earned and paid on; in other words, a basic $150 pension for everyone.

We had Mr. Eckler, an actuary, before us this morning. He has dealt with this subject. He proposes that there be a charge on the first dollar—in other words, everything below $600—but that the principle of weighting the benefit in favour of those in lower income brackets be carried out by providing a higher rate of benefit on a lower band of income, something higher than the 25 per cent that is provided across the board.

You have now given us another suggestion, namely, that there be contributions right from the first dollar and that there be benefits accordingly. You have not made Mr. Eckler's proposal for a higher rate of benefit, but you have proposed that anyone earning anything less than $600 be considered as contributing on $600 in terms of getting the benefit of $150.

I have lined up these approaches to it to indicate it is a problem. I think it is fair to say from my discussions with other members of the committee, privately as well as publicly, we are concerned about this. Obviously, your interest—and it was Mr. Eckler's interest this morning—is that the problem

is an administrative one. You see difficulties in payroll deductions, refunds, and all the rest of it. But would you agree there is validity to the principle of weighting the benefit in favour of the lower-paid workers, as the plan itself does and as the Federation of Agriculture plan does? And, if you do see validity in that, could you come up with any suggestion other than yours? Yours gets away from the administrative problem. It simplifies things for the $300 and $400 person, but it does take away from the plan something that is now in it, namely, a weighting in favour of the low-paid person. That weighting carries all through on a percentage basis: the $1,000 and $2,000 person gets, percentagewise, a better benefit than the $4,000 or $5,000 person.

Mr. TAYLOR: Our proposal establishes there is, in effect, a minimum, presumably, for all wage-earners—and we are just dealing with them now. Whether or not they get $600, they would be entitled to a minimum. The act, as we have it currently drafted, does not provide a minimum, as we read it. This would do that. We recognize it buries the point you are raising with respect to weighting in favour of the low income person in your proposal. Ours does not do that. On the other hand, you do have a weighting in favour of the lower income people in the other component of your total program. In other words, there is no distinction with respect to earnings on the O.A.S. section of your plan.

It would seem to me that to carry out your proposal you would be extending that principle into another segment of it, and the question bothers me a little as to whether it ought to be there, though it was originally drafted there; whether or not it should be accommodated for an appropriate period of time in the other segment, rather than say that everybody has a weighted benefit and everyone has a common salary or amount plus something.

I have some reservations personally, but let me turn this particular point over to Mr. Wills, who is sitting to my left, and who has been invited, who studied that in little more detail. Len, could you offer any views you have that either confirm or deny the point, because the point has not been raised to us in the form in which you have raised it, Mr. Knowles. We were concerned about the administrative problems, and we think this is something that warrants attention, if for no other reason.

Mr. KNOWLES: I agree with you about the administrative problem, but we are also concerned not to lose the weighting factor. We have had before us people like the life insurance officers and Life Insurance Underwriters, and others, and they are aware of the weighting the O.A.S. does. They approve of that, but they have also complained about the C.P.P. in that from their point of view it gives greater benefits to those further up the scale. People in lines not dissimilar to yours saw no objection to the amount of waiting we do have because of the $600 minimum in the C.P.P.

Mr. WILLS: You have heard alternative arguments which we could advance on the difficulties embodied in the act. These are administrative difficulties. I don't propose to discuss those, because I am sure you are aware of them, but I would like to comment on the point you just raised, sir, if I might. In the proposal as I understand it they provide a higher rate of benefit on a lower level of contribution, or of income, and you would have arrived at that turn-around point on which you probably would have difficulty.

You could possibly arrive at a situation where you were paying as many or more dollars for less dollars of earnings than you were for some larger amount, because of the percentage break-point. I think that the association would more favour a minimum payment regardless of the amount of earnings from the fund as a matter of social justice or social equity.

Mr. KNOWLES: In other words, you want to get rid of administrative difficulties and you do not wish to import other difficulties, but you are not opposed to the principle we already have in the plan, which, as you say, is a matter of social justice.

Mr. WILLS: That is correct, sir. It would just introduce another measure of administrative difficulty with workers moving from one area to another, and with the rates to be applied.

Mr. KNOWLES: Now, I would like to ask a question again of Mr. Taylor on another field. You have spoken rather strongly of the desirability of having one plan for administrative purposes, and I address this question to you as probably the most representative group of employers that we will have before this committee.

I take it that you feel pretty strongly about that. I think it is fair to say that we feel that way in the committee as well, but we are faced with the fact that one province has virtually made the decision to stay out, and do you think we should change that provision in the act which permits other provinces to opt out, or to take steps to avoid any more fragmentation of the plan?

Mr. TAYLOR: I don't think there is any point in locking the door after the horse has left the barn, and this is the sort of thing you would have by changing the section. I don't think changing the section in the bill would preclude opting the province concerned would not opt in the first place. Perhaps they have not opted in. So it may be that that is not the remedy. I think the remedy is to invite a conference to convene in whatever form it needs to be convened in order to reopen negotiations. Our group is not convinced that with the right kind of plan, and when the wishes of a large group of people are known, that this question cannot be resolved.

We think it might be resolved and we think another effort should be attempted to resolve it. Therefore, removing opting out is not going to accomplish much.

Mr. KNOWLES: You would like to see it accomplished, but in some better way?

Mr. TAYLOR: Removing opting out is not the way, unless you can require other provinces on a compulsory basis to opt in.

Mr. KNOWLES: I don't think there is any such thing as opting in. The legislation is legislation for Canada, and it is only by virtue of the legislation that it says that it will not apply in any province having comparable legislation.

Mr. TAYLOR: I don't want to get too involved in the constitutional question, Mr. Knowles, but, if by eliminating opting out we could achieve this, I don't know if that would not be a sort of shotgun wedding, but certainly we would like the result, and we think further efforts should be made to achieve this result.

You people are more skilled as to how you ought to go about it than we are, but if you think it should be undertaken we are not satisfied that the "no" answer that presently exist is satisfactory or ought to be final.

Mr. KNOWLES: I am prepared to leave the question at that.

Mr. MACALUSO: Mr. Taylor, we assume from your representation here that the association would be strongly against the Province of Ontario setting up its own comparable benefits as against this present bill.

Mr. TAYLOR: I don't think we want to identify ourselves with that particular statement, because you are selecting a particular province.

Mr. MACALUSO: Let us say any province.

Mr. TAYLOR: We are opposed to any province going it alone. This is obviously having the cake and eating it too. We have asked for one plan centrally administered.

Hon. Mr. THORVALDSON: When you say "any province", you include Quebec, do you?

Mr. TAYLOR: I include all provinces.

Mr. MACALUSO: Mr. Taylor, when I stated Ontario, I was thinking just of the situation existing there, and when I said "any province" I assumed that that included the province Senator Thorvaldson mentioned.

The CHAIRMAN (*Mr. Cameron*): I think Mr. Taylor has cleared the matter up very thoroughly.

Mr. KNOWLES: I just have one other question; I suppose this is the complement to my compliment.

I know that I am looking at words and that words have different meanings to different people, but I am a little bothered about your sentence in paragraph 5, and you use the phrase in two or three places, "The Association has long recognized there is a social cost of doing business and its members are prepared to meet their fair share of this cost."

Now, I wonder if I can make just this brief statement? It seems to me that doing business is part of the economy of this country and that our economy as it exists is operating for the people in it, and I wonder if we could not find some less offensive, or better, phraseology than that phrase: "the social cost of doing business"? It sounds like business is a sort of god which is prepared to do something for people.

Do you get my point? I think you have it upside down.

Mr. TAYLOR: It may well be that there are better ways of saying it. I am sure, however, that you are aware that this is an old expression, which has been used ever since I can remember, and all of us, I think, have an understanding of what is meant by it, and what was meant at that time, and it has been used not only in Canada but in international circles. So the general statement is actually borrowed from what we thought was common usage.

Now, if they appear to be offensive words I would be happy to have substituted alternative wording having the same purport.

Mr. KNOWLES: You would agree that business and the economy exist for the people in the country?

Mr. TAYLOR: That is one of the many reasons for it.

Mr. KNOWLES: I know enough to stop when I am winning.

The CHAIRMAN (*Mr. Cameron*): Mr. Aiken.

Mr. AIKEN: Mr. Chairman, I would like to ask Mr. Taylor about the earlier retirement recommendation that is in the brief that is suggesting that a person might retire as low as the age of 60 and receive a benefit actuarially reduced.

Now, I wonder if the actuarial figure that the old age security would actually be reduced to at 60 is available, and at the same time what the pension rate of $104 at 65 would amount to at age 60. The reason I am asking this is that a person aged 60 might retire at the age of 60 on a voluntary basis, unless there was some test for early retirement, and then accept a rather small old age security provision, and a rather small Canada Pension Plan, and later put himself on welfare in his latter years. I would like to ask that those two figures be available and whether, in view of this, you would provide a test of some sort for earlier retirement.

Mr. TAYLOR: I do not come here with any specific figures, sir, as to what the actuarial equivalent would be, because there are a number of factors and

I believe there is more than one table used for calculating mortality and other things, but I am quite sure any actuary can get those figures for you and your staff men could.

Now, whether an acceptable test as to whether or not a person has in fact withdrawn is possible, I think it is simply a question of his having actually withdrawn from the labour force and being in a retirement status and declared to be such.

What we have in mind is this; there are a great many plans that a lot of people are anxious to have—people who want to retire for reasons of health and other reasons, but their health is not such that they can qualify for normal disability credits. These people, we understand, would like to have access to some pension, and they would be willing to sacrifice in order to get something.

Furthermore, as the plan is worked into private plans there will be a hiatus between the time some private plans are available at selected ages when people will qualify, such as the 60:30 combination, which is a very popular trend. There is then no payment from Government sources, and this seems to us to be a mistake. That should be actuarially corrected. While there will be some cost—we are not suggesting there will not be—it will not be very much of an extra cost because what you are doing is putting a man on a level benefit governmentwise.

Mr. AIKEN: I wonder if we could secure figures of that type through the committee?

The CHAIRMAN (*Mr. Cameron*): We can ask Mr. Osborne to obtain them for us.

Mr. AIKEN: Yes, if he could. The reason I raise this is that the old age security rates from age 70 to age 65 cuts it in half—in other words, from $75 down to $51, roughly. It appears to me if you cut it from age 65 back to age 60 it would be an even greater percentage of reduction, and the old age security at age 60 might actually amount to very little. It may be that this is the reason why the minimum age in the United States is 62.

The CHAIRMAN (*Mr. Cameron*): May I suggest that you put exactly on the record what you want?

Mr. AIKEN: Yes. I would like to have the amount of old age security actuarially reduced to be payable at the age of 60 from its present rate of $75 at age 70. Also, what the actuarial reduction of the maximum benefit of $104 at age 65, assuming a full benefit period, would amount to at age 60.

Mr. TAYLOR: I wonder, Mr. Chairman, with your consent, if I might underline one point so that there is no misunderstanding of our position. We are not advocating a retirement age of 60 in the sense that it may appear. We have declared ourselves in favour of a normal retirement age of 65, which is the one proposed in your bill. We are saying that there will be a certain segment of our society who will wish, voluntarily or other wise, to retire at an earlier age. These people will be denied access. It is that group with which we are concerned. We would not be in favour of supporting full benefits at age 60. This is not what we are advocating.

Mr. AIKEN: You would then suggest a rather strict requirement test?

Mr. TAYLOR: Yes, an appropriate test; I do not know how strict it ought to be.

Mr. AIKEN: Then, there is one other question I should like to ask about funding. This is to be found at page 5, in paragraph 17, where you suggest that the present plan might be put on more of a pay-as-you-go basis than it is now. We have had evidence before the committee from several groups which refers to what are known as the windfall provisions, that go to people around the age of 55 with maximum contributions who will retire at age 65. Now,

would making the plan a pay-as-you-go plan involve lower premiums in the earlier years to the point where the windfall might actually be increased.

Mr. TAYLOR: This is a possibility at certain income levels, but I think we have to go deeper into the problem from that which is apparent from the question as you have phrased it. Our committee has taken the view that much of what seems to be criticism, both public and otherwise, in certain quarters stems from the fact that there is a large pool of money that is going to be used for a secondary purpose, whereas basically our position is that here we are talking about the pension plan. The primary purpose of the collection of funds is to provide benefits, and the other is a secondary purpose. Now, what you say is true, and this is one of the consequences of achieving another purpose which, in the view of our committee, is the greater and more important.

Mr. AIKEN: Then, you are suggesting this would be an actuarial problem that would have to be worked out in such a way as not to increase the windfall benefits—if possible?

Mr. TAYLOR: Well, I would not be too concerned there because I do not think the so-called windfall benefits arising out of this particular point that we are talking about are going to be significant. The windfall benefits are for those people who are currently at age 55 and who probably are at the maximum income level. I think this will be self-leveling over a period of time. I think your problem is a temporary one.

Mr. KNOWLES: Yes.

Mr. WILLS: Mr. Knowles is saying: "Yes".

Mr. KNOWLES: It is nice to know that we can agree.

Mr. AIKEN: Will the funding decrease as you get beyond the normal adjustment period into the area where you do not have this large fund available—that is, between 10 and 20 years?

Mr. TAYLOR: Yes, but in any private plan you accumulate funds to meet a particular contingency. This is a different situation, as we see it, with respect to government. It seems to us that we just do not think you need to collect this much money as quickly as you are collecting it, and we are prepared, as manufacturers here, to meet higher costs later in order to meet what needs to be done. But, we do not think you should collect this much now, and introduce a series of problems because you have got too much money—I was going to say "with which you do not know what to do", but I am sure you will find something to do with it.

Mr. AIKEN: I am not an economist, sir, but it seems to me that the only way in which you can accomplish this would be by lowering the premiums during the earlier years.

Mr. TAYLOR: May I ask one of our men to supplement what I have been saying on this point? I will ask Mr. Belden to answer you. He is knowledgeable in funding matters, and he can pick up the matter from where I left it.

Mr C. C. BELDEN (*Manager, Employee Relations, Dominion Bridge Company Limited, Montreal*): I think it is possible to have a large fund. It might result in some reduction in the contributions in the earlier years. I can see nothing particularly wrong with this. There is a great difference of opinion, even amongst expert economists, as to whether or not the withdrawal of this amount of money from the private sector of the economy and putting it into the Government sector is going to have an effect on our economy as a whole. Which side you believe does not make much difference, but I think we are playing safer if we do not withdraw so much money from the private sector at an early stage, but to build up to this thing. We can add up our costs later when we get a better view of the matter and see whether some of these assumptions we are making now are actually going to happen.

Mr. AIKEN: I wonder if I might ask if in order to reduce the impact on the windfall benefits the adjustment period might have to go longer than ten years—perhaps into a 15 year period, or so—in order to level out the people who pay earlier and get the greatest benefits?

Mr. BELDEN: Frankly, I cannot become too concerned about the windfall benefit because, as has been pointed out, it is a temporary proposition. We had the same thing in private plans in industry when they were introduced. In most companies when a plan is first introduced the company undertakes to make certain payments into the fund to take care of services the employees have the benefits of at the time the plan is introduced, and in fact this is what we are doing in the Canada Pension Plan, it seems to me.

Mr. LEBOE: When you talk about past services benefits in a private pension plan, are you suggesting that there are past service benefits arising out of this plan as it is now envisaged?

Mr. BELDEN: To the extent that you are going to provide people at advanced ages with the same kind of income that you provide for young people, I believe that is so.

Mr. LEBOE: And for past service?

Mr. BELDEN: Service to the community is perhaps not the proper term. It could be age, if you wish.

Mr. LEBOE: I think that is true and that is the point I wanted to make. It would be picked up to be used in that light and that is why I want to pin it down a little more. The employer pays the shot in the one case and the people in the community pay the shot in the second case.

Hon. Mr. THORVALDSON: In regard to the money which is put into a private pension plan at the beginning, in order to make it solvent for the future, the fund that the company takes out of surplus and puts into that plan, do you suggest for a moment that that has a similar relationship to a pension plan as the so-called windfall that we are talking about in this plan?

Mr. BELDEN: Let me explain this in a different way.

Hon. Mr. THORVALDSON: You are certainly disagreeing with a number of people.

Hon. Mr. CROLL: Not at all. Disagreeing with you.

Mr. BELDEN: When you get into a plan of a private nature, you have a number of people 60, 61, 62, 63 years of age at the time of introduction of the plan. They will not have been in the plan long enough to get an equity in it which would be adequate for retirement, so special provisions are made for those people. This is the same principle as is being adopted by the Canada Pension Plan.

Hon. Mr. THORVALDSON: Would you explain where the money comes from? Who pays the money that consists of the windfall we are talking about? Let me put the case to you. This case has been put to us several times. Take a person aged 55 when this plan commences. He and his employer make certain payments which amount to about $1,200 and we find that he has a vested interest in that of approximately $15,000. That is the case of a person who has a salary of about $5,000. Then take the other case, of a person who has a salary of $2,000 or $3,000. He and his employer have paid into the fund and he became eligible for about $952. He has a vested interest there of about $9,000. Would you agree with me that the excess that these two men get—one of course gets more than the other because he is on a higher salary scale—would you agree that the so-called windfall they get comes out of money paid by other Canadians into this plan?

Mr. BELDEN: That is right.

Hon. Mr. THORVALDSON: Do you say that is in a similar category to the fund that is put into a pension plan by a private company?

Mr. BELDEN: I can see no difference in principle.

Hon. Mr. THORVALDSON: Why do you say "no difference in principle"? Is it not true that these are public moneys paid by the taxpayers of Canada, or at least the contributors in the case of the Canada Pension Plan, whereas the other moneys are private funds?

Mr. BELDEN: To a certain degree, some of the other moneys are public also, because if we do not use those moneys to pay for the past service with the employer, the employer will certainly pay them in taxes to the Government.

Hon. Mr. CROLL: Provided you are making money.

Hon. Mr. THORVALDSON: Why do you say that you are going to pay this? You have a company which takes a million dollars out of surplus and puts it into a private pension plan. Why do you say you would pay that in taxes to the Government if you did not put it into the private plan?

Mr. BELDEN: If you are in a profit position, that portion of what you put into your pension plan will be paid out.

Hon. Mr. THORVALDSON: I thought you paid corporation tax on profits that you earned this year, not necessarily out of past service—is that not right?

Mr. WILLS: In actual practice it is paid not out of surplus but out of profit of the future, whenever it is permissible under the tax regulations.

Hon. Mr. THORVALDSON: I admit there are cases I happen to know of where it is not done out of surplus.

Mr. LLOYD: I believe the witness said there were some instances where past service benefits were funded to appropriate services in the future, or was it Mr. Thorvaldson who made that statement?

Mr. WILLS: I think it was the senator who made that statement. Even if such cases did arise where past service benefits were contributed from surplus, the surplus itself is taxable on distribution, is it not?

Mr. AIKEN: The objection raised before the committee by one or two witnesses or groups of witnesses is that in the case of the windfall benefit, it is the younger workers and in some cases the lower paid workers who will pay for those windfall benefits to the better paid who have a shorter period of time. This is the objection which has been put before us. My real purpose in starting this line of questioning was to determine whether the pay as you go basis, which would result in lowering the payments for the earlier contributors, would not actually increase the windfall benefits to those also?

Mr. TAYLOR: It is a question of degree. You must remember that much has been said here and elsewhere about this windfall and of course the same principle applies on the O.A.S. side.

Hon. Mr. THORVALDSON: Do you agree that other workers have to pay that windfall?

Mr. TAYLOR: It has to come from the sources from which the funds themselves come—the employers and employees, I presume in this case.

Hon. Mr. THORVALDSON: You agree with that?

Mr. TAYLOR: I cannot help it. It is in the act.

Hon. Mr. THORVALDSON: We are having trouble in getting agreement on that. On page 13 of your brief in your summary paragraphs 45(1), I was interested that your first item mentioned that all provinces are not included in the plan. I might suggest there is some significance in that being your number one recommendation. We all know that in the Manufacturers Association a

tremendous number of companies do business right across Canada. Consequently, I take it that you would much prefer, if we are to have a C.P.P., that we have one nice little plan with no opting out? I guess we are on common ground there.

Mr. TAYLOR: Yes, 100 per cent.

Hon. Mr. THORVALDSON: In your first point you say that further consideration and negotiations might be undertaken to achieve a single plan. I am sure most members of this committee agree that it would be preferable to have a C.P.P. which includes everybody. Would you like to make suggestions as to what consideration or negotiations there might be, now you have indicated your view?

Mr. TAYLOR: I think that I would have to limit myself to the objective, rather than the negotiations in the sense that they are sometimes used. We have stated as a purpose of these negotiations that there be developed a single plan to be centrally administered in which all provinces are included. Now, the form they are to take I think you people would have to devise, hoping that if one is developed it would incorporate those things we are currently urging upon you. I do not know if it would mean another meeting of prime ministers. It is something that I think you would have to work out yourselves. We are not suggesting how you go about it, but we are suggesting that we hope it can be achieved or accomplished, and we will have to leave the methods to you people. I think there are questions of constitutional law, and who has the right to be where. I do not think we want to become involved in that.

Hon. Mr. THORVALDSON: I think your answer is right in line with the view of the witness we had this morning and with whom the same problem was discussed. He had the same reservations in regard to it as yourselves.

Arising from that, we had Mr. Moffat of the Eddy Company before us a couple of days ago, and you know his problem; he is on both sides of the Ottawa River and has technical troubles by virtue of the present situation.

Let me ask you this question: Is it a fact that your problem would be greatly minimized if there had been one satisfactory plan, rather than one where a province is opting out?

Mr. TAYLOR: The answer with regard to the technical problems is yes. I qualify it by saying provided it is a suitable plan. I am not going all out and say any plan.

Hon. Mr. THORVALDSON: I agree with you on that. I think I included the word satisfactory plan.

Mr. TAYLOR: Then I accept that.

The CHAIRMAN (*Mr. Cameron*): Mr. Côté has a supplementary question.

Mr. CÔTÉ: I want to ask a question with regard to one plan. You are aware, naturally, that Quebec had their own views on the pension plan and it was quite different from the federal one. They had in mind to have their own plan, even if the national plan would be the same. But don't you think they made some very good negotiations and that the government did a very good job in trying to get Quebec and the federal plan on the same basis so that it would be just like a universal plan—the same in Quebec as in the other provinces, and that we really explained some very good things through the negotiations to come to the final decision?

Mr. TAYLOR: If one answers your question and accepts the statement you made—"Don't you think the government has done a very good job in getting where they are?" My answer is no. If they had done the type of job we wanted to be done, they all would be in. So I can't say they have done a good job if they have not achieved the desired result advocated; and we are asking to have the machinery put in motion again.

Mr. CÔTÉ: You are aware that Quebec has a right to have their own plan, as has every other province?

Mr. TAYLOR: I am quite aware, but we feel that we should have another run at it.

The CHAIRMAN (*Mr. Cameron*): Mr. Macaluso?

Mr. MACALUSO: Mr. Taylor, my question refers to page 8 where the association deals with all contributors earning less than $600 a year as belonging to one category which should be entitled to 25 per cent of $600, that is, $150 per year by way of benefits on the present maximum pensionable earnings of $5,000.

Has the association come up with any figures as to the number of people this might cover, and what is the total of the additional cost this might entail in giving a flat benefit in this one category?

Mr. TAYLOR: No, we do not have any figures at all. We have no means of collecting such statistics.

Mr. MACALUSO: Apparently, Mr. Osborne is not here.

Mr. KNOWLES: I asked for figures. They are probably working on them.

Mr. MACALUSO: Thank you very much.

The CHAIRMAN (*Mr. Cameron*): Mr. Basford?

Mr. BASFORD: Mr. Chairman, I just want to add a few comments. Someone described the kind of people you represent, Mr. Taylor, as ogres of Canadian big business. I think the constructive attitude of this brief certainly dispels that view.

Mr. TAYLOR: Thank you.

Mr. BASFORD: Your brief seems to indicate that this problem is a social obligation of business and government.

Most of my questions have already been answered, because I was interested in paragraphs 9 and 10 with which I agree thoroughly.

I am wondering if the C.M.A. has made any representations to the ten provincial governments along this line?

Mr. TAYLOR: I am instructed that in a general way this has been done with all governments.

Mr. BASFORD: I notice your proposal that negotiations be reopened, and that we have another round of talks. You said a moment ago that you did not want to suggest ways in which this should be done by the government. I am inclined to think that another round of talks would not be very fruitful at the moment, and I would like to suggest that the C.M.A. through its ten provincial divisions or branches again make immediate representation to the ten provincial governments that you would want to see them to discuss a satisfactory national plan.

Mr. TAYLOR: We would be quite prepared to take that under advisement and to give it full consideration.

Mr. BASFORD: I certainly wish you would.

Mr. MACALUSO: We could use your help.

Mr. TAYLOR: We will take it under advisement.

The CHAIRMAN (*Mr. Cameron*): Senator Croll?

Hon. Mr. CROLL: All my questions have been answered. That is not going to stop me from asking a question. First, I want to join in something that was said by my friend, Ron Basford, and others, that this is a reasonable and constructive brief which certainly has impressed the committee. On the other

hand, it is what we expected from you. Although I had not any questions to ask a minute ago, I have since prepared a few, just because you brought the boys along with you, and they seem so well prepared.

I want to be able to go back and say "This is what I told the committee".

First of all, there was something said in the brief in connection with the age of retirement at 65. It was mentioned at various times. What is sancrosanct about 65, and not 64 and 66? Why 65? Where did it come from?

Mr. TAYLOR: I cannot answer where it came from. I have been around pretty nearly that long myself. It seems to me that it has always been more or less bounced around. I suspect it may have originated from those people who were then writing private plans. I have not any real reason for it.

Hon. Mr. CROLL: Mr. O'Dell, who is the research director for the American U.A.W. came to our Senate Committee on Aging. We asked him that question and he said that is exactly where it came from, and it got thrown into the original pension plan, and someone said, "We will fix it at 65," and we have ben stuck with it ever since.

There is some suggestion here, and as a matter of fact you used the term "social cost," which gives me an awareness, of course, that you have exercised a social conscience. Now, you realize this is a double-decker plan. You have stuck to your last, and this brief deals with the pension plan as it is, and is very clear on that. Was there not some discussion amongst your group about the other element that is not covered, for instance, under the O.A.S., that is, 70 years and over, who are not caught up by the first portion of the plan? Did you give it any thought, was there any discussion?

Mr. TAYLOR: Certainly. We discussed every possible phase of the whole pension idea; but we must remind you that we are here as manufacturers representing manufacturers who themselves employ people in the main, most of whom are less than 70 years of age, and we feel that perhaps it is someone else's responsibility to speak for that group of people who are not identified with manufacturers. We felt it did not belong in our submission, and we have not taken a position on it. We are sympathetic to their problem, however, but we felt that by and large they are not, in general, employed people. There are some, but they are not in most companies.

Hon. Mr. CROLL: What collateral problems did you consider in connection with the plan on which you do not express yourself here, and in which you think you are involved?

Mr. TAYLOR: Well, I do not know that I can outline what you call "collateral problems". I would be more disposed to ask you to name any particular problems you want to know whether we talked about.

Mr. KNOWLES: He opened the door for you.

Mr. MACALUSO: Close it quick.

Mr. TAYLOR: I am closing it quick.

Hon. Mr. CROLL: You did close it a few moments ago when you said, "We are manufacturers and we are dealing with the problem that is before us, and this problem belongs to someone else, although we are sympathetic to it"?

Mr. TAYLOR: That is right.

Hon. Mr. CROLL: I thought if you had few expert views on that aspect of it you might deal with it, but since you did not offer anything, that is all right.

Mr. TAYLOR: Thank you.

The CHAIRMAN (*Mr. Cameron*): Mr. Gray?

Mr. GRAY: I think the questions I would have asked have been quite completely covered, and I just wish to associate myself with those who complimented the witnesses for the nature of their brief. I think I will pass the questioning on to the next questioner.

I might add: Even though I cannot say I have always agreed entirely with the association in the past, and I do not suppose I will in the future, I am pleased to note the way they have come before us attempting to deal constructively with the specific bill we are dealing with. I was very interested to note that these hard-headed, practical men of business support and accept the contributory principle of this bill, and that they have accepted an argument we have made in questioning other witnesses with respect to bonuses and windfalls. It is the same thing we are doing in this bill and is a very common feature in the private plans you people buy or put into effect for your employees.

The CHAIRMAN (*Mr. Cameron*): That concludes the list of people who indicated they wanted to ask questions.

Mr. AIKEN: Mr. Chairman, there has not been very much questioning on the matter of escalation which is in your brief, and I think it is clearly enough presented that you feel there should not be an automatic feature, but there should be a review period every five years. There is one single question I wish to ask. Would you suggest the review be by legislation or by administrative order?

Mr. TAYLOR: I would be satisfied to have the review by administrative order at reasonable periods, and I would hope the review would be undertaken by qualified people—and by that I mean actuaries, in the main.

Our position on the escalation, I think, is obvious. I do not think anybody at this point really knows whether 2 per cent is too much or not enough. I think we should not pre-commit. I think we can decide that for ourselves, provided we do not decide it every 12 months. I think we have to have a period in which this thing will jell because, as I understand the bill, there is a movement in one direction only, and I do not think it is sound. I would be satisfied with an administrative directive as opposed to legislation. I could live with either.

Mr. AIKEN: Would this assume a formula of some type in the bill by which an administrative order would be governed; and, if so, would not this bring about roughly the same result?

Mr. TAYLOR: Well, you recall in our statement we said we hoped this would be done ex political expediency. We hope it could be divorced from planning for certain things that have a political overtone, and that it could be done in an objective and detached way. I do not think we could here spell out exactly all the details of how this should be achieved. Every private plan is reviewed from time to time. The principle of review is all we are discussing with you.

Mr. AIKEN: You would suggest, in any case, fixed reviews?

Mr. TAYLOR: Yes. We would be satisfied provided they were at reasonable intervals—certainly not less than five years.

Mr. AIKEN: Perhaps I should not be giving evidence, but it rather occurred to me as a result that legislation at a fixed period might be preferable because then the formula would have to be devised by the legislators.

Mr. TAYLOR: May I qualify what I said earlier. We are presenting an idea, an objective. If it can be handled more effectively legislatively I think you people are in a better position to decide than we are. I think if it could be handled otherwise, administratively, we would be concerned with the objective and that it be achieved.

I have been exposed to Orders in Council and many other things, some of which have worked just as well as other forms of directive over my lifetime. I do not know one has had many more general acceptance than some other method. I think this is something you people are better equipped to decide.

Mr. BASFORD: I was going to ask somewhat the same questions as Mr. Aiken. We seem to be on the same wavelength in so far as his opinion of Mr. Diefenbaker is concerned anyway!

Mr. CANTELON: Don't ask him about Mr. Pearson.

Mr. BASFORD: We had Mr. Anderson before us the other day, the chairman of North American Life. His was a very helpful presentation, and in discussing indexing, which you recommend against, he suggested that if indexing was tied, rather than to the cost of living, to the wage index, this would tie it to the level of increase in productivity and avoid the alleged bad effects of tying it to the cost of living index. I was wondering if I could have your comment on it?

Mr. TAYLOR: Yes, we are suggesting it should not be tied to anything as such. We feel an examination during an appropriate review period should take into account a lot of things, including the things you are mentioning—wage levels, the cost of living and all the other factors that have an influence on general conditions within the country, the economic climate as it then exists, and so forth. We are suggesting that to narrow it down to a specific thing—whether wages, cost of living, the consumer price index, the G.N.P. or any other factor—is itself too limiting. In any event, we are telling you we stand for a program that does not include pre-commitments of any sort of this type that changes the value. I do not care what it is—wages or anything else—we do not like any pre-commitment. Therefore, we do not like any indexing for this particular purpose.

Mr. BASFORD: His feeling seemed to be that by tying it to productivity any increase would result from an economy which was able to support such increase.

Mr. TAYLOR: I am not prepared to accept any index of productivity, and I am sure my colleagues would not. All we have to do is raise prices and we have a different level of productivity, and I do not think it is a suitable basis on which to base it.

Hon. Mr. THORVALDSON: Productivity depends on population level, and a lot of other things.

Mr. TAYLOR: It depends on a lot of things. It is a poor basis, and we are not willing to support it.

Mr. KNOWLES: I hope it does not lead to some nasty remark to say my question was also about the feeling on escalation. If there is unanimity on this side of the table in this question, at least we are in disagreement with the witness.

There is another question or two I would like to ask. You made your position clear that you are opposed to automatic indexing on the basis of the consumer price index. I had hoped there might be room to consider the wage index and productivity, but you are opposed to automatic indexing of any kind, though you are not opposed to review of the level of pensions even after those pensions have been paid in.

Mr. TAYLOR: I am not sure I understand the question as you phrased it. Would you re-phrase it?

Mr. KNOWLES: Well, I will try again. There are two times when one can review the level of pensions. You can review the level of pensions people now working will get when they retire; or you can review the level of pensions

people already in retirement are getting. Are you willing that in both cases there be set reviews from time to time?

Mr. TAYLOR: We are suggesting the Canada Pension Plan be reviewed. That means all the benefits derived from it.

Mr. KNOWLES: Including the benefits people are already receiving?

Mr. TAYLOR: Whatever is in it, yes.

Mr. KNOWLES: Your basic statement on this is on page 8, paragraph 29, where you say the association recognizes pension benefits cannot remain at the same level forever. You go on to state your objections to pre-committed increases based on an index. Do I gather you would be willing for both kinds of pension benefits that are referred to in Bill C-136 to be reviewed? That bill outlines the Canada Pension Plan *per se,* but it also refers to old age security.

Mr. TAYLOR: I think, to be realistic, all pensions have to be reviewed. Whether we ask them to do it or not, they are going to do it, and they ought to do it from time to time.

I think what is adequate today might not be adequate in the year 2000. For us to stand here and say "No, they will not be reviewed" is not being realistic.

The answer to the question is yes, they should be reviewed, but, when the time comes there should be the opportunity to say whether they will be amended or not.

Mr. KNOWLES: If they don't review them some of us will ask them to do it.

Mr. TAYLOR: I am sure you would.

Mr. KNOWLES: Mr. Taylor, one other question in this field. The bill before us has two kinds of indexing and, if I am not misinterpreting what you said in your brief and in your testimony so far, you are only referring to one of those kinds of escalations.

Mr. TAYLOR: No.

Mr. KNOWLES: Oh? You refer also, do you, to the escalation involved in computing the kind of pension a person will have at the time of his retirement?

Mr. TAYLOR: Yes, I think this should be reviewed and the circumstances involved at the time in regard to it; all the circumstances surrounding it at the time should be reviewed.

Mr. KNOWLES: Is it not a fact that many pension plans have automatic adjustments in them in that they are based on the average salary across a man's working career, or sometimes the last five or 10 years, or the best of a certain number of years? Is that not in itself an automatic scaling up or down of the pension benefit, and is it not what the C.P.P. proposes? I am not talking now about the 2 per cent increase after retirement, but the proposal that the computation be adjusted. Is that not something which takes the place of this other kind of automatic adjustment?

Mr. TAYLOR: We are quite aware, Mr. Knowles, that there are two types primarily: one that is related to final earnings over something like the last five or 10 years, and another which is described as career benefit earnings. I think if we are going to have a high level inflation for a protracted period, the career type does not as a general rule provide enough, and, therefore, some supplement or adjustment is made. So now the pension is not necessarily in the form of an escalation, because you do, presumably, have a situation where through collective bargaining and other matters you do negotiate what the wage chances will be and, presumably, might take into account all the consequences of wage changes.

Here we are talking about private plans versus government plans and it seems to me the manufacturers would not have any degree of control, whereas

with private plans there is some degree whether or not they elect to exercise it and take the risks that could accompany the private plan on these things.

Mr. KNOWLES: Thank you, Mr. Taylor. May I ask one other question in another field, and it has to do with the size of the fund. Despite our known disagreement, I am in agreement with your position that the collections for pension purposes should not include an element which is collected for another purpose, namely, for developmental purposes.

However, would you not agree that it is reasonable to establish at the initial period of the plan a rate of contribution that could remain level on a projected basis for a reasonable period of time?

Mr. TAYLOR: I don't think that that is necessarily as important as the consequences. Let me put it this way: If such a rate could be determined that would achieve what we are asking to have achieved, the answer to your question would obviously be yes. If it cannot, then I would have to say no.

Now, we are suggesting the rate that is presently proposed would not do what we would like to see done. In other words, there is too rapid a build-up. Now, it may well be that our purpose could be achieved and we could still have the flat rate. That is, it would not necessarily have to be altered during this 10-year build-up period, for example, although we are suggesting a five-year review.

I don't think the common rate is the key to the thing, surely. What is really of concern to us is the fact that here we have a large pool of money that is set aside, and we are suggesting, because you have authority to tax that you just don't need that kind of money so fast.

Mr. KNOWLES: Some of us have said that the present rate makes the plan neither pay-as-you-go nor completely funded, but that it is in between these two, and I gather you would rather get it a little closer to pay-as-you-go than it is.

Mr. TAYLOR: Definitely. As we say in our statement it is a loose term. I don't know just quite what the term means; it means something different to different people and we are saying that it is too high a level of advance funding with the present set-up, and it should not be as high. How high it should be we have to leave to the actuaries.

Mr. KNOWLES: Thank you.

The CHAIRMAN (*Mr. Cameron*): Mr. Munro.

Mr. MUNRO: Mr. Chairman, I was just interested, Mr. Taylor, in page 1 of your brief where you have indicated that "It may be interesting to note that more than three-quarters of the Association's member firms employ less than 100 persons."

I was wondering if you had any approximate information of those three-quarters of the association's member firms which do employ less than 100 people, what the private pension plans were like or the number involved or the number of these particular firms that have private pension plans.

Mr. TAYLOR: We have not got that information.

Mr. MUNRO: There is nothing?

Mr. TAYLOR: We have not got it at all. I am instructed that we have not tabulated that in any form which would be usable in the sense you have phrased your question.

Mr. MUNRO: Mr. Taylor, do you have any figures as far as the number of firms which would be members of your association, say, which hire less than 15 employees?

Mr. TAYLOR: How many?

Mr. MUNRO: Less than 15.

Mr. TAYLOR: Fifteen?

Mr. MUNRO: Yes, can you give an approximate number?

Mr. TAYLOR: Mr. Whitelaw, who is the executive vice president, is perhaps more knowledgeable on this and I would defer to him.

Mr. J. C. WHITELAW (*Executive Vice-President and General Manager, The Canadian Manufacturers' Association*): Mr. Chairman, approximately 75 per cent of the membership involves plants with less than 100 employees, and I would say that roughly something like more than 50 per cent of that 75 per cent would employ less than 50. Now, we have not broken that down below the 50 level, but I would hope that might help to assist you with the answer you are seeking.

Mr. TAYLOR: Perhaps I could comment by way of a supplementary remark. What we are attempting to put before you is that the Canadian Manufacturers' Association is not, as some people think, made up of just a small group of large complex organizations. It is not. Its main bloodstream runs through small organizations and these larger ones are very much in the minority.

Mr. MUNRO: I see. That is why I was particularly interested in your experience in smaller firms whether you found that the smaller the firm became as to the number of employees, say under 15, whether it was a rarity that such firms had any private pension plans at all.

Mr. TAYLOR: I am afraid I cannot answer that; I am sorry.

Mr. KNOWLES: Mr. Chairman, as a supplementary question, do the witnesses know the number of employees represented by the membership of 6,000?

Mr. WHITELAW: I would say in answer to that question that it would be just roughly under one million. This is a figure that we utilized back in 1962 in connection with our appearance before a committee in Toronto involving Senator McCutcheon. That was the figure we used at that time, give or take a few thousand.

Mr. KNOWLES: We have just about the same number in our labour congress.

Mr. TAYLOR: As a matter of fact I think we have been pleading some of their case today.

Hon. Mr. THORVALDSON: This information may have been given before, but out of that million do you know how many employes are covered in private pension plans? Or is that figure available anywhere?

Mr. WHITELAW: I am afraid I cannot answer that specifically, senator. We have not attempted to assemble that type of information.

Mr. WILLS: This is just hearsay, but I saw a figure relating to that.

Hon. Mr. THORVALDSON: I think it would be very interesting to know. It may not be possible to get the information. We do have certain information through the D.B.S., but I quite recognize why you would not have that information.

Mr. WILLS: Just as an aside, when Mr. Whitelaw says there are nearly a million employees he is, of course, including those of us who are here.

Mr. KNOWLES: Yes, and I was including Claude Jodoin and the others in that other figure.

The CHAIRMAN (*Mr. Cameron*): Are there any more questions, Mr. Munro?

Mr. MUNRO: No.

The CHAIRMAN (*Mr. Cameron*): Mr. Lloyd.

Mr. LLOYD: I have a supplement to Mr. Knowles' question. It has to do with the matter of indexing—in effect, increasing benefits by some criterion. I agree with your association, Mr. Taylor, that if there was one universal

plan, simply administered and agreeable in form to all the provincial governments, perhaps indexing would not be necessary. The only thing that bothers me is that when we do have, in fact, one province out, and we look at the provisions of this bill and see there is room for benefits at provincial levels, it seems to me that one of the values of indexing, or one of the values of the escalation is some prescribed formula that is as conservatively low as this, is that it is possible there may be agreement and an avoidance of a breakaway into a variety of benefits. Do you think there is some merit in this?

Mr. TAYLOR: I do not want to seem facetious, but I do not think we should correct one mistake by making another.

Mr. LLOYD: But this kind of indexing might have the effect of keeping benefits level throughout the country. It might have that effect. Where there is portability to be considered I think you might be able to maintain a greater degree of universal benefits with indexing as a guide line. I do not know whether this was agreed to among the premiers when they met with the Government.

Mr. TAYLOR: It is hard for us to support a situation which is at variance with our main theme, which is, mainly, that there still should be a single plan. I am not sure that we should support something that does not follow our main position.

The CHAIRMAN (*Mr. Cameron*): Does that conclude the questioning?

Mr MACALUSO: I should like to move a vote of thanks to this delegation who have submitted a very fine brief. This is one of the better submissions that we have received, and I think it has given us much food for thought.

Mr. STYLE: Thank you very much, Mr. Chairman. May I thank you, on behalf of the C.M.A., for the very kind reception you have given us. Our people under Mr. Taylor have worked very hard on this, and I am sure they are very pleased at the complimentary remarks that have been made at this meeting.

There is one point I would like to clarify. I came out when Mr. Taylor was asked as to whether the C.M.A. had put forward its views on one national plan to the provincial governments. This has been discussed with all of our provincial organizations, but we have not directly put forward our views to the provincial governments in a formal way. We might very well consider sending them a copy of this brief with an accompanying letter.

May I ask now Mr. Villeneuve to say a few words in conclusion?

The CHAIRMAN (*Mr. Cameron*): Yes.

(*Translation*)

Mr. J. VILLENEUVE (*Chairman of the Quebec Division—Industrial Relations Committee*): Elementary politeness requires us to thank those who have been kind enough to hear us. In our case we want our thanks to be more than a simple act of politeness, we want them to be also an act of courtesy. We have greatly appreciated your compliments on our brief.

The Canadian Manufacturers Association wanted to express its opinions, to comment on and make recommendations to your committeee because it is deeply concerned not only about the interests of its members but also about those of all Canadians.

The discussion between the two committees, yours and ours, will, we hope, have served to throw more light on certain fundamental aspects of the Canada Pension Plan whether these aspects be administrative, social, economic or actuarial.

We want to thank you all most sincerely for the time you have given us and the attention you have paid to our suggestions and comments. In return, I am convinced you can always rely on the entire cooperation of the Canadian

Manufacturers Association to help the Government achieve its objectives in the field of social security or, for those who prefer it, in the field of social costs. Thank you very much.

Mr. LAVERDIÈRE: Mr. Chairman, I would like to thank the representative for having said a few words in French which will again allow members of the committee and those in attendance to realize the facilities we have at our disposal to express ourselves in French or English. Thank you.

(*Text*)

The CHAIRMAN (*Mr. Cameron*): This concludes this meeting of the committee. The Steering Committee will meet as soon as possible in room 307, which is just across the hall.

EVENING SITTING

WEDNESDAY, January 20, 1965.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Gentlemen, we have a quorum. Before we take any evidence, I would ask for a motion, which apparently is customary in many such committees, that all letters or representations addressed to this committee be appended to this day's proceedings, together with any other similar letters which may have been received during the existence of this committee, so that they may form part of the record.

Mr. MONTEITH: I wonder if it is usual to do this in one day's sitting or leave them until the end?

Mr. MUNRO: I believe there was a motion a few days ago that we place them on the record.

Mr. LEBOE: That referred to presentations only.

Mr. MONTEITH: If this deals with later items, I wonder how one could get them on today's proceedings. This is a very competent committee, but it could not do that.

The CHAIRMAN (*Hon. Mrs. Fergusson*): We can amend the motion to say that those we have received be put into today's proceedings and those received later be appended on a subsequent day.

Mr. KNOWLES: How many such presentations have we received?

Mr. MONTEITH: My first reaction is that they probably should go in towards the end. I do not mean we should wait until our final report, but towards the end of our committee sittings.

Mr. LEBOE: That would be a better idea, as then they would be together

The CLERK OF THE COMMITTEE: There are nine now.

Mr. KNOWLES: With respect to Mr. Monteith, I suggest those be put in now and the remainder be put in one some subsequent date.

Mr. MONTEITH: I have no objection. My only thought is that they will be in two places instead of one.

Mr. CAMERON: I think they should go in at the end. I have read them. They are fringe letters or something of that kind.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Our witness tonight is from Alexander & Alexander Services Limited, a widely known firm of consulting actuaries. As you will note from the brief, they have as clients large Canadian industrial concerns and authorities which represent different levels of government, as well as school boards and some other similar groups. Tonight the brief will be presented by the Vice President, Mr. Norman Kirkland of Toronto.

He is a fellow of the Institute of Actuaries and also a member of the Social Security Committee of the Canadian Association of Actuaries.

Mr. Kirkland, we do not ask you to read your brief. As you may have noticed from earlier reports, we ask only for a summary of the special points you think are important in your brief. After that, we would be glad if you would submit yourself to questions from the members of the committee.

Gentlemen, Mr. Kirkland has with him another member of his firm, whom I ask him to introduce.

Mr. Norman G. KIRKLAND (*Vice-President, Alexander & Alexander Services Limited*): Thank you, Madam Chairman. The gentleman on my right is Mr. Dudley Funnell who is a fellow of the Faculty of Actuaries of Scotland and a fellow of the Institute of Actuaries, and senior actuary in our Montreal office. Mr. Funnell has assisted in many ways with the preparation of this brief and may be able to assist me in answering questions, if I find that the matter becomes too involved for me to handle it myself.

Madam Chairman, I commence with a brief summary of our submission. We have concentrated our attention on 11 different difficulties which could result from the adoption of this Canada Pension Plan in the form contained in Bill C-136. These difficulties have been set out in our brief and, to refresh your memory, I shall read them.

The first difficulty, which is probably the most severe of the difficulties, is the inherent instabilities associated with the funding system.

The second difficulty is a rising ultimate pay-as-you-go cost, coupled with the continuing cost of the old age security pensions.

The third difficulty is that, in our opinion, there is too great an advantage to participants in the higher income brackets by reason of the redistribution of income effected in their favour.

The next ensuing difficulties are as follows:

4. Difficulty of preventing a certain number of individuals who have contributed to private retirement plans receiving a total retirement income higher than their terminal salary.
5. Certain difficulties in connection with integration with private plans.
6. Contributions by self-employed a problem when the pay-as-you-go rates increase in the future.
7. Further integration difficulties when contributions are on a pay-as-you-go basis.
8. Overall government benefits payable in Canada effectively in excess of those payable in the United States in 10 years' time.
9. Plan out of line with certain features that have been tested and proved by other countries.
10. Features of plan that were the subject of unfavourable comment in the Report of the Royal Commission on Banking and Finance published in 1964.
11. Difficulties in the area of union-management negotiations likely to be caused by plan.

The recommendations which we put forward to eliminate or reduce those 11 difficulties are summarized on page 32 of our brief. They are two in number. The first recommendation we make is that the transition period, which is proposed now as ten years, be extended to at least 20 years. Our second recommendation, which is possible only, in our opinion, if the first remedy is adopted, is that provision be made for contracting out by individual employers where this does not conflict with the policy of the province concerned.

Madam Chairman, these are the difficulties we envisage, these are the recommendations we would make. I would be most happy to endeavour to answer any questions members of the joint committee may care to ask.

Mr. MUNRO: Some of the principal points seem to be the advocacy here of a longer transition period. One of the points made by many organizations before this committee was that the Canada Pension Plan does not assist many of the people in the older age groups. It would appear to me that, if we extended the transition period, made it twice as long as it is now, we would be guilty of denying another bracket of Canadians the full benefit of the C.P.P., namely, those between 55 and 65 in 1966. I wonder if you have any comments with respect to denying this sizeable portion of Canadians the full benefits?

Mr. KIRKLAND: Madam Chairman, Mr. Munro's observation is a very good one and one which we had considered ourselves. Indeed we would go further, in a sense, and mention that the need for assistance from the state is considered by some to be even greater as a person's age increases and may be most desperate for those people who are perhaps age 75, 80 or 85; but we have recognized the fact that the C.P.P. as such is not designed to provide people over 65 with any benefit that is, those who are at present time over 65.

Accepting that fact, we then had to consider those who were under 65. It is extremely difficult to draw any definite conclusions as to the need that exists, according to age, of the persons in Canada. Unfortunately, no statistics are available showing the extent to which private plans are available to make provisions for different age groups.

It seems very likely that those over 35 percent the greatest proportion of those in pension plans, but we have no way of proving this. I am informed that it has been established that the income of those who have retired recently represents a more reasonable relationship to the average net consumer income in Canada than applies in the case of those who retired say 20 years ago. So it may well follow from that that those now between 55 and 65 on the average will be in less desperate straits than those who retired a few years ago.

I think it is important, though, for me to point out Madam Chairman, that we are not advocating an elimination of pensions for those who will retire in that case in 10 years. For example, in the case of somebody who retires in 10 years, one half of the pension, or in the case of somebody who retires in 20 years; and we have indicated in our brief that that amount, that one half pension, which will be 12½ per cent of earnings, together with the old age security pension, builds up to a pension that is very reasonable in comparison with, for example, the United States.

How are we to judge the level required? One way is to compare the rates provided by other countries, and certainly our suggestion is to provide the pension that is reasonable on that basis.

Mr. MUNRO: Perhaps if we adopted your recommendation it may result in quite a few people receiving half of the benefit they otherwise would under the transition period. Yet it has been pointed out that even in the transition period the people in the lower income brackets have suffered considerably by comparison with those in the higher income brackets. I am talking about higher and lower in relation to the $600 exemption at the $5,000 earnings level. It seems to me that if we followed your suggestion the ones in the lower income bracket, namely $2,500, would receive half what they now would receive under the present Canada Pension Plan, and the plan would certainly be susceptible to more criticism than already has been advanced here.

Mr. KIRKLAND: Madam Chairman, as regards the low paid people, unless I am mistaken, and while I am sure Mr. Munro was correct, there have been recommendations to provide more for these people, if I am correct, and there

have also been representations that the old age security alone in the case of the lower paid people provides a pension that will compare with a similar pension provided by most other countries. In addition, we will be providing a pension of $20, or thereabouts, which together with the old age security pension, in the case of a married man, would be a very reasonable pension compared with that in other countries. Recently I saw figures that endeavoured to show that the old age security pension alone would compare, for lower paid people, very well with the amount provided in, say Australia, or Germany or even Great Britain.

Mr. MUNRO: Organizations like the life officers association and the life insurance underwriters association, to mention two, and many others, have indicated that at the present age under the old age security system we are not providing enough, and serious consideration should be given to increasing the old age security for those now retired and just recently retired.

Mr. KIRKLAND: The point, Madam Chairman, that Mr. Munro makes is one I indicated earlier when I started to speak, and with which I would agree, although it does not relate to my brief, in which I have not dealt with people over 65.

Mr. MONTEITH: Is Mr. Kirkland merely dealing with the whole matter in this way, that he is accepting the plan as it is outlined in Bill C-136 and is working on it from there on? As I understand it, he may have alternatives which he would have preferred to see, but is actually operating on the present plan and possible adjustments thereto.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I think we will have to ask Mr. Kirkland himself.

Mr. KIRKLAND: Madam Chairman, if I may answer, Mr. Monteith is correct. We felt that our presentation could be most constructively helpful if we directed our attention to features in the plan that we feel will very probably cause difficulties and problems in the future. We feel that any expression of opinion we may have to make about the advisability of the Canada Pension Plan would now be made at too late a stage.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Does that answer you question, Mr. Monteith?

Mr. MONTEITH: Yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Have you finished Mr. Munro?

Mr. MUNRO: I have no further questions.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Lloyd?

Mr. LLOYD: You have quite a bit to say in your report, sir, about the Royal Commission on Banking. As a matter of fact, you quoted from it. I believe the commission stated that it had not made a thorough study of the proposed Canada Pension Plan. Is that not so?

Mr. KIRKLAND: Madam Chairman, the Porter Commission makes no study at all of the Canada Pension Plan in its present form. It was written before the present plan was proposed.

Mr. LLOYD: There have been views expressed before the committee that the Canada Pension Plan may tend to make Canadians more pension conscious and thus produce a favourable pattern for life insurance operations. Do you think that is a fair statement?

Mr. KIRKLAND: Madam Chairman, although this has no bearing on our brief, I would be glad to answer, if you direct me to do so.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are you quoting from the brief, Mr. Lloyd?

Mr. LLOYD: No. I believe the life underwriters made this statement. I will repeat it.

Mr. KIRKLAND: I understand the question, sir.

Mr. LLOYD: The question is simple. Do you think the adoption of the Canada Pension Plan would, in your opinion, tend to make people more pensions conscious, and thus be favourable to life insurance operations?

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not think the witness should be obliged to answer that question, but if he wishes to do so, it will be all right.

Mr. KIRKLAND: Well, Madam Chairman, certainly the Canadian Life Officers Association will be better qualified than I to forecast.

Mr. LLOYD: I am sorry. At the beginning I believe you outlined that your company were engaged as consulting actuaries.

Mr. KIRKLAND: But not in the field of life insurance, sir.

Mr. LLOYD: In what field do you mainly operate?

Mr. KIRKLAND: Only in pension and welfare benefits. Therefore, the question in so far as the Canada Pension Plan is concerned would have an effect on pension development in future and has a bearing on our work.

Mr. LLOYD: And in the field of welfare?

Mr. KIRKLAND: Well, Madam Chairman, by welfare, are you referring to—

Mr. LLOYD: I apologize, Mr. Kirkland, but at this hour of the day one is inclined to be a bit broad in definitions.

Mr. KIRKLAND: Welfare benefits would include benefits such as group insurance and medical insurance, sickness insurance, disability insurance, and matters of that type, directed to the welfare of the staff of employers.

Madam Chairman, perhaps I could answer Mr. Lloyd's question. I feel that never in any country has there been a similar example to the position of Canada at the present time, in that in no other country has a social security measure of this sort been introduced when private plans stood at so high a level as they now stand in Canada. We must remember that in 1935 when social security was introduced in the United States there were only a handful of pension plans—1,009, I think to be correct. The introduction of social security encouraged it until it could only go one way, and that was up.

In Great Britain, where the number of private plans was comparable to that in Canada, the introduction of their wage related plan recently is not likely to have increased the number of pension plans in the country. The contracting out feature they permitted was partly brought about by that large number of private plans that existed. It is difficult to see how the number in Canada can increase very dramatically, Madam Chairman, because the number is extremely high now. There is a limit. I think it is impossible for some very small organizations to have pension plans, or for a self-employed person to have them as we know them. I understand that in the Province of Ontario nearly two-thirds of the male population have pension plans available to them. Not all are old enough to be in the plan so there may be a little room for growth in private plans.

Mr. LLOYD: You say two-thirds?

Mr. KIRKLAND: Two-thirds of the male population in the Province of Ontario work for employers who have pension plans.

Mr. LLOYD: How many are members of such plans?

Mr. KIRKLAND: 50 per cent.

Mr. LLOYD: So there are 50 per cent. As we understand the statements made to us here, at least 50 per cent in Ontario of the employed labour force are not members of pension plans today.

Mr. KIRKLAND: Madam Chairman, I mentioned earlier it is most unfortunate we do not have available to us statistics indicating the age distribution of those who are members of pension plans. I believe if they were available we would find of those over, shall we say, age 30 or 35, a high proportion were in pension plans.

Mr. LLOYD: You propose extending the transition period from 10 to 20 years?

Mr. KIRKLAND: Yes.

Mr. LLOYD: You are going to leave a longer time. What are you going to do about the people over these ages, 30 to 35? Would you suggest we extend Old Age Security or what?

Mr. KIRKLAND: Madam Chairman, I may not have expressed myself very well. I say those who are over 35 form the principal number of those in pension plans. Of those who are under 35 or 30 a large proportion are not in pension plans. Many pension plans do not permit their employees to join until they have attained, perhaps, age 30. Those who are older, in my opinion, are covered to quite a large degree by private plans.

Mr. LLOYD: I notice on page 34 of your report you state there were 9,600 pension plans in operation in Canada in 1960 with a total membership of 1,800,000. If I recall correctly, the D.B.S. survey shows the membership was around 8,900 plans. What was the source of your figure of 9,600?

Mr. KIRKLAND: Madam Chairman, these figures were derived from a book on pension plans called "Pension Plans in Canada," and the quotation was one from an article by—

Mr. LLOYD: The National Trust?

Mr. KIRKLAND: No, by, I believe it was, Mr. E. S. Hanes of the Dominion Bureau of Statistics. He wrote an article for this book.

Mr. GRAY: What year was the book published?

Mr. KIRKLAND: It was published last year.

Mr. LLOYD: He has answered the question.

Mr. KIRKLAND: The figures are right, I am sure.

Mr. LLOYD: What is the source of your figure of 12,000 pension plans mentioned in your report for 1964?

Mr. KIRKLAND: Excuse me, the figure of 12,000 relates to 1963. This was from the same article, which is by a member of the Dominion Bureau of Statistics.

Mr. LLOYD: We can check this?

Mr. KIRKLAND: Yes.

Mr. LLOYD: I am just curious about the thing; I just want to establish your source. Finally, on the subject of contracting out, is it true that the majority of the contracted employees in England—you mentioned this in your observations a few moments ago—are public servants or in nationalized industries; or are you familiar with this?

Mr. KIRKLAND: Madam Chairman, it is very hard to derive statistics of this sort. Our statement that 50 per cent had contracted out was learned by verbal information from a large firm of pension consultants in Britain. I have no official Government statistics on this. I learned another fact, which may also not be right, and that is that a relatively larger proportion than even 50 per cent of foreign-owned companies in Britain had contracted out. This may have no bearing on the matter, but it could have. It may indicate that companies where the control came from outside England had been more interested in contracting out. These, of course, would not include civil servants.

Mr. AIKEN: May I ask a supplementary question on these figures? I understand some pension plans—and I am using railway plans as an example—come to maturity in a given number of years, perhaps 20 or 25 years, and that therefore a person can join it at age 40 and get the full benefit from it at age 65, the result being that a number of the younger employees working for employers who have these plans do not go into such a plan though they could. Do you know of any number of plans of this nature which would probably bear on these figures?

Mr. KIRKLAND: Madam Chairman, we are familiar with both the Canadian railway plans. The maturity in both the C.P.R. and the C.N.R. plans is effectively 45 years, because it is only after the full length of service from the youngest age to the oldest that one would obtain the maximum benefit. Now, Mr. Aiken may be thinking of some private plans where recognition for prior services is given when the plan is first set up. This is a feature that is very common where there have been no previous pension plans, and either by recognizing each year of past service as a pension credit or by providing a minimum pension under the terms of a plan the employer is able to provide even for those near to retirement age a reasonable level of retirement income.

I would mention the liability for these extra pensions which are not, in a sense, contributory service-related—in other words, they do not relate to service during which the employer and the employee were contributing in the ordinary way—this liability is normally paid off during the early years of the plan and not deferred to future generations, as is quite customary in state plans.

Mr. AIKEN: The reason I ask the question is that I had information from a trustee of one of the Canadian railway plans who told me that many of their employees do not start paying into the plan until age 40 because they can get full benefit from there to age 65. There may be a mistake in this, but this is what I have been told, and I was told a large proportion of the younger railway men do not pay into the pension fund at all in their youger years but do start in their later years.

Mr. KIRKLAND: Madam Chairman, I can speak with some definite knowledge of both the C.P.R. plan and the C.N.R. plan. Mr. Funnell and I have at one time or another carried out actuarial evaluations in regard to both those plans. In point of fact, in the case of the C.P.R. plan you cannot join the plan if you are age 40 or over. Every employee who joins under age 40 must contribute at once, the moment that he joins; and the full benefit is only derived by those who join the railway at a young age and contribute for every year of service through to retirement.

Mr. AIKEN: Then somebody is missing out on their pension. This is the one figure that was given to me to indicate there were people who qualified for the pension plan but did not participate. It was an example given to me.

Mr. KIRKLAND: Madam Chairman, there is one provision in the railway plan that under some circumstances, on death in service or on disability, a pension will be payable provided 20 or 25 years' service have been performed. That could be the point Mr. Aiken is thinking of.

Mr. AIKEN: There is a misconception by someone then. Do you know of any other plans set up in this way?

Mr. KIRKLAND: Madam Chairman, I do not at all—except, as I say, plans that are set up providing older employees with past service pensions. The closest example we can think of is the civil service plan, where the maturity period is 35 years. No pension is earned in respect of years in excess of 35 under the civil service plan.

Mr. MUNRO: May I ask a supplementary question here, Mr. Aiken?

Mr. AIKEN: My question was supplementary to Mr. Lloyd. Ask Mr. Lloyd.

Mr. LLOYD: Yes.

Mr. MUNRO: You indicated that you had done actuarial studies on the C.P.R. plan. Do I understand you correctly, to say that under their pension plan you could not participate over 40 years of age—that if you are over 40 years of age you could not come in under the plan at commencement?

Mr. KIRKLAND: That is correct. If you are engaged by the C.P.R. over age 40 you are not eligible for the pension plan at the present time.

Mr. KNOWLES: Shades of 1919!

Mr. MUNRO: Would you say that is not an uncommon feature of many pension plans?

Mr. KIRKLAND: Madam Chairman, I would say it is quite uncommon. Indeed, it is so uncommon that, in my opinion, it may have a rather limited life. It may date from times when the railways did not engage an appreciable number of people over age 40.

In some industrial pension plans there are provisions that employees who join at a late age may not derive benefits in larger pension plans funded by means of trustees. It is unusual to have any restriction of that sort unless it be at a very advanced age, for example, the age of 60.

Mr. MUNRO: Well, I was just going to suggest that a plan such as that which I have heard exists certainly discourages any mobility of labour, and discourages employment for people over 40. I think you would agree with that.

Mr. KIRKLAND: Excuse me, may I answer that question? As regards the mobility of labour and the effect of late entry ages, I feel myself that the provincial legislation that has been introduced in Ontario, and is likely to be introduced in many other provinces, will bring about a redesign of plan, indeed will force a redesign of plan, which will remove most of the problem which Mr. Munro is mentioning. These difficulties have arisen in the past and no government did in fact regulate the terms of the pension plans. This was a provincial matter and the federal Government was not able to require these terms. Now the provinces are stipulating certain provisions.

Mr. Funnell has made the point, Madam Chairman, that the Ontario legislation arose because of the lack of vesting, and the lack of vesting, or portability, in private plans is felt by him to have a detrimental effect on the mobility of labour, since older people would join a company without being able to bring a prior pension with them. At least this difficulty in particular will be removed by the provincial legislation, Mr. Munro.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are you finished, Mr. Lloyd?

Mr. LLOYD: No. I was on the question of the right to opt out of the plan, and then there were two supplementaries which I think produced some interesting information to the committee. I only have one final question.

We have had evidence here before the committee which indicates that the mass of employees—you cannot put numbers on this—who are members of private pension plans in Canada look forward to something like 30 to 40 per cent of their final earnings as pension benefits.

In that type of plan, if that was the range of benefit, should they be allowed to opt out of the Canada Pension Plan?

Mr. KIRKLAND: Madam Chairman, the whole question of allowing opting out, or contracting out, we admit will present difficulties. We maintain, however, that the difficulties, the problems, which will have to be solved will be worthy of solution in view of the great advantage that will come from permitting this.

One difficulty will be that some private plans are not of the form that will be suitable for opting out. We do not suggest that opting out will be done

in many cases. It may apply only in the case of very large employers. It may apply only in the case of employers of the type similar to universities, provincial governments, and bodies of that sort. Certain larger employers may wish to, but we feel that there are advantages even if that is permitted.

As regards the smaller employers and those providing smaller pensions, it may not be necessary to expect all of the smaller employers to wish to opt out. It could be done. It has been done in Great Britain. And the 30 or 40 per cent of earnings could be suitable in the case of higher-paid employees to provide more benefits than the Canada Pension Plan will provide, and, in the case of lower-paid employees, the employer who is anxious to contract out of the Canada Pension Plan would have to amend his plan and improve it in such a way that he would not give less than the benefits provided by the Canada Pension Plan.

Mr. LLOYD: Some authorities on integration suggest that it is as easy to go the other way and work out arrangements for adjusting plans, which are relatively generous in their benefits, to those on the average. In other words, have them adjust their benefit scales as time goes on to the existing Canada Pension Plan. This would be a lot easier, and would obviate efforts at means testing in the field.

Well, there are others who wish to examine, Madam Chairman, and I have merely this observation. We now have the First Annual Review of the Economic Council of Canada, and I wonder if the witness has seen this report and observed their statement, and I quote:

> We incline to the belief that the stability of the rate of gross private saving will not be significantly affected by the introduction of the... (Canada Pension Plan).

Mr. KIRKLAND: Madam Chairman, I had read this, but I did at the time of reading it note that the form of saving had not been described. Saving is saving whether the funds are vested in provincial bonds or in equity stocks. It is still saving, and the amount of saving might remain the same, but the direction of the saving might be changed, and we might find less of Canada savings being directed to the equity stock and other loan capital required by Canada's industry.

Mr. LLOYD: I think that is covered in the economic report, so I will not pursue it.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Monteith, you seemed to have a question before. Did you ask your question as a supplementary?

Mr. MONTEITH: Not as yet. I wonder if I could ask Mr. Kirkland this. We have had some discussion on contracting out. Do you feel that it is quite logical that contracting out can be carried on so that the employee is not penalized in any way, and will be completely looked after, that his welfare when pensions become available will be protected but will still be instituted so that the overall plan would not be adversely affected?

Mr. KIRKLAND: Madam Chairman, I would say yes to Mr. Monteith's question. I would emphasize that the contracting out would only relate to pension benefits and not to any of the other benefits under the Canada Pension Plan.

Mr. MONTEITH: On another matter, Mr. Kirkland, you mentioned just in passing that you had at one stage considered the possibility of increasing benefits as age increases beyond retirement age. Could you enlighten the committee any on this particular approach? Have you made any real studies on this? Do you have any figures or data you might give us?

Mr. KIRKLAND: I am afraid that I have not at this stage.

Mr. MONTEITH: I think that is all I have at the moment.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Knowles.

Mr. KNOWLES: Mr. Kirkland, I would like to pursue for a few minutes the subject Mr. Munro raised with respect to your proposal that the maturity period be lengthened from 10 to 20 years.

Mr. Munro made the point that many people coming before this committee have complained that our bill does not do anything for certain older people and not enough for certain other older people. If I understood your comments in answer to Mr. Munro you expressed the view that since the Canada Pension Plan itself was concerned only with those now of working age, you did not feel that it was your business to offer suggestions about those in the 65-and-over bracket, or the 70-and-over bracket.

I don't intend to pursue that at the present time. My fellow members on the committee know we pursued it at length, but I think you might have missed—or I missed your reply to it—the one point that I thought Mr. Munro was seeking to make, namely, that some of those who criticized the Canada Pension Plan itself—never mind the old age security end of it—pointed out that although it provides in its present form a pretty good benefit for people who are 55 when the plan starts, it provides a lesser benefit for those who are 56, 57 and so on down to 64.

Now, if you take people at the maximum income of $5,000 it means that people of 55 can look forward to a pension of $104 a month, but as you go up from 56 to 65 you drop that by 10 per cent in each case. Is it not a fact that if you put in a 20 year plan it would be only those at age 45 who could look forward to a full pension, and that you would scale down all the way from 46 to 65 the present benefits? Obviously, this would be less popular politically—and there are some politicians in this room—but even apart from that, if there is a case, as some of us think there is, for a two-stage plan or a two-deck plan—flat rate and earnings related—and if it is desirable to get such a plan started, should we not, apart entirely from votes but thinking just in terms of public acceptance of the plan, make it a plan that will appeal to as large a number of people as possible?

Would we not be defeating a public acceptance of this kind of a program if on top of our doing nothing for those aged 65 and 70 and over we were to cut back on what we do for people right down to age 46?

I have been putting this question in the form of an argument. I hope you will accept it in that form, with this question at the end: Would you care to comment?

Mr. KIRKLAND: Madam Chairman, yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Go ahead.

Mr. KIRKLAND: I appreciate the point that Mr. Knowles has made, but I would like to point out that we have to look at the total Government pension that people will be receiving—that is to say, the old age security pension and the Canada Pension benefit—as being the total that will be received by persons from the Canadian Government. In one of our examples we have compared the benefit payable in 10 years' time with the similar benefit paid in the United States, and we found, taking the different earnings levels into account between the two countries, that the amount that will be provided, even with a 20 year maturity period, to somebody retiring in 10 years' time will be slightly higher than social security will be providing there. This, we felt, was one yardstick.

We did find that in most other countries in the world the maturity period has been as high as 30, 40 or even 45 years. Of course, any opinion of a more scientific nature one may hold about this would be more exact if one knew what in fact are the provisions that the people of 50 and 55 are making in Canada. We have statistics relating to all people, but we do not have any re-

lating to that very important age group. We certainly do not know what provision those people are making through the medium of registered retirement savings plans or Government annuities or insurance contracts. It would seem to us that the level of pension that will be provided with a 20 year maturity period in the case of somebody now aged 55 is reasonable by any acceptable standard—by any normal standard.

Nobody will object to having a larger pension, but we feel that the pension provided with a 20 year maturity period is perfectly reasonable, and we also, of course, kept in mind the other advantages. There are very important advantages in extending the transition period to 20 years.

I wonder if I may deviate on this point for a moment, Madam Chairman?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes, certainly.

Mr. KIRKLAND: I should like to emphasize that one of the most important advantages in extending the maturity period to 20 years is the avoidance or the reduction of the risk of the instability in the funding system that will be faced if there is a 10 year maturity period.

Canada is not an ordinary country in some ways. We have several governments that are concerned with pensions—several provincial governments and the federal government. Any social security program that contains within its structure potential instability and the possibility of future criticism, when those concerned with it are aware of these deficiencies, would seem to be unwise for Canada to adopt. We do not have one government which will be regulating this plan, but several levels of government in the future. It is, perhaps, because of the greater stability that will exist with a 20 year maturity period than with a 10 year maturity period that we are advising the adoption of this feature.

Mr. KNOWLES: Mr. Kirkland, some of the delegations that have appeared before us and which have asked us to scale down the initial benefits under the Canada Pension Plan, have given as their reason the desire to avoid disparity between the benefits that would be received by those only on old age security and those on both old age security and the Canada Pension Plan. I have listened carefully to what you have said, and I have read carefully what you have given us, and I think it is clear that you do not base your proposal for lengthening the maturity period on that proposition, but you seem rather to do it on the basis of a judgment that the kind of pension benefits that are appearing in their totality are sufficient and reasonable; that is, you compare them with the United States benefits, and so on. Is that correct?

Mr. KIRKLAND: Madam Chairman, Mr. Knowles' point is one of the reasons for our advocating this, but certainly not the principal reason. We investigated this feature in order to see whether the recommendation we were making would upset the plan from the point of view of the level of benefits. We found it did not appear to.

The principal reason is—and I repeat—the inherent instability that will appear in the funding system if a 10 year maturity period is adopted. I am fortified in what I am saying by the actuarial report published by the interdepartmental committee of the Quebec Government. Their findings were precisely the same as our findings in this matter.

Mr. KNOWLES: I accept your correction of what I had said earlier, namely, that it is not your purpose to scale down the benefits but rather to advocate a longer maturity period for the reasons you have given. But, you have looked at the results and you do not find the results unpleasant in terms of what is being done in the United States, and so on. I am sure you appreciate that the concern of some of us is not just to be satisfied with what they may have in the United States, but to get pension levels for our people up into higher brackets as early as possible. Do you not appreciate our viewpoint that the 20-

year period seems to defeat what we regard as one of the major purposes of this kind of legislation?

Mr. KIRKLAND: Madam Chairman, we appreciate Mr. Knowles' point. We do feel that any pension benefit provided by the Canadian Government in the first place, should be looked at in total—that is, old age security and Canada Pension Plan added together—and we should look at the level provided by private plans. The position in Canada is—and I believe this is correct; I am quoting from the book I mentioned earlier—that the level of pensions in Canada provided by private plans is higher than in any other country in the world. This we feel must have some influence on the level of pensions that the Government feels it is obliged to provide.

Madam Chairman, there is another point which can be solved by permitting contracting out, although contracting out is not possible with a 20-year maturity period—it is hardly possible, I should say.

The other difficulty is that there are plans in Canada—the Civil Service plan, for one—under which there will be people retiring in 10 years time with about 110 per cent of their final earnings if the Canada Pension Plan matures in ten years—I repeat, 110 per cent of their final earnings.

Mr. FRANCIS: You mean after the adjustment of Civil Service plan is announced?

Mr. KIRKLAND: Yes, sir, even after the announcement. The adjustment is a very clever adjustment and we respect those who have made it. We feel it is a masterful job, but it does not apply retroactively.

Mr. FRANCIS: It cannot, of course.

Mr. KIRKLAND: It cannot apply retroactively and so we have cases of employees now age 55 in the Civil Service—

Mr. FRANCIS: This is a temporary one, during the transition period.

Mr. KIRKLAND: We are talking about a temporary measure. The whole matter we are talking about is temporary.

A MEMBER: So if life.

Mr. FRANCIS: It is because one cannot have a contractual arrangement in arrears.

Mr. KIRKLAND: It could be avoided if the transitional period is 20 years.

Mr. LEBOE: I am not against what Mr. Knowles said about trying to get pensions as high as possible, but if my figures are right we operate in Canada with a gross national profit of about $2 billion for over one million of population, roughly. How would that compare with the United States where they have a population of about 180 million?

Mr. KIRKLAND: I am not an economist. I am unable to answer that question.

Mr. LEBOE: I thought you may have figures as the G.N.P. of the United States?

Mr. KNOWLES: I hope Mr. Kirkland will not be shocked if I tell him that the members of this committee are no more capable of being shocked at pensions of 110 per cent. We have had too much evidence before us, by Mr. William Anderson and others, of the problems of people in retirement whose costs might continue to go up but who have no access to any way of increasing their income, that is, the income on which they must live. I am not making the case for such an increase, though you yourself have talked about the possibility of pensions being increased as the age of the recipient goes up. I am merely saying you do not shock us when you tell us this might produce results of 110 per cent.

Mr. KIRKLAND: Pension design, pension planning, is not static. In Canada, actuaries are proud of what they have achieved so far in pension plans. Our

organization is a world-wide one, we can look anywhere else in the world, and I know that, by and large, Canadian pensions in private plans do not occupy second position to any other country in the world. However, we have further advances to make. One advance which is impending is a provision, through the medium of private plans, of pensions which are related to the cost of living. These plans may be the only answer to Mr. Knowles' criticism of private plans in this respect. We recognize that it is a justifiable criticism but we can assure you that arrangements for providing these plans are just around the corner. Our organization has six such plans in force already.

Mr. KNOWLES: I accept your statement of figures of comparison between Canadian pension plans and those of other countries. However, you may not be aware of the other statistics we have had as to the absolute figures regarding our own pension plans, namely, the kind of pensions that many would provide. Witnesses have sat where you are sitting and have told us about their plans and we were shocked by what we were told as to how many are covered and how many are not covered. As a Government, we feel we have a responsibility to get the benefit of pension plans to far more people than come under private plans. I could make further comment but I wish to change the subject.

Mr. KIRKLAND: I was hoping Mr. Knowles would go on to say he would use his influence to have some statistics produced by the Government showing the average coverage which is given by private pension plans by age groups in Canada. It is difficult for anyone to form a reliable opinion as to the need for social welfare without knowing what is provided now at least in broad age groups. An opportunity arose in 1964 when forms were completed in order to obtain a social security number across Canada. Unfortunately, our organization though of this too late or we might have suggested to the Government that one or two questions on this form would have provided exactly this information.

Mr. KNOWLES: Members of this committee have asked that this kind of information be obtained. I do not mean that as a committee we would have suggested exactly that way of doing it.

Now, regarding one of the difficulties, number three, listed by you at the bottom of page 2 and then spelled out in greater detail on pages 14 and 15, I quote your own words. You say that the Canada Pension Plan gives "too great an advantage to participants in the higher income brackets by reason of the redistribution of income effected in their favour." You give figures on pages 14 and 15. Incidentally, there is a computation I do not quite understand and parenthetically I would ask the meaning. You say the yearly contribution is $79.20 in the case of man B. If that is so, I would have thought his total contribution for ten years would be $792. Can you tell me why you have $970 there?

Mr. KIRKLAND: These contributions were accumulated with compound interest.

Mr. KNOWLES: I wanted to get that clear. It does not have any bearing on the point we are making. Your chart makes it quite clear, as we all recognize, that there is a greater advantage for the $5,000 man than there is for the $2,000 man. But you would agree—and your brief does not say anything to the contrary —that there is no additional advantage for anybody whose income is beyond $5,000.

Mr. KIRKLAND: I would not quite agree. It is possible, but it is rather difficult to prove, that the higher paid man, on the basis of taking his income tax into account, does in fact benefit a little more again; but it is a small point.

Mr. KNOWLES: Would it not be the other way? Would not the higher man get much more of a tax saving when he pays in, because it is a total of $79.20 a year, but when he is drawing his pension benefit, if he is in the higher bracket,

he pays much higher back, whereas the $2,000 man would not pay so much back.

Mr. KIRKLAND: If we consider his earnings are high while he is earning; but his income is derived mainly from sources that are not subject to income tax after he retires, it is possible to say he is getting more benefit. The tax relief he gets on the income he pays in could be a very high proportion of his contribution, and the amount he gets back could, under certain circumstances—

Mr. FRANCIS: Surely this is most antithetical, as it should be the other way around. The man with the higher income should be subject to the higher tax.

Mr. KIRKLAND: I concede it could be either way.

Mr. KNOWLES: We had better draw it to the attention of the Department of National Revenue.

Mr. KIRKLAND: I think it could work either way.

Mr. KNOWLES: With respect to contracting out, which is the other point you make. We had a witness last week, Mr. Robert Myers of the United States Social Security Administration. Although certain matters of protocol kept him from being too outspoken, he was categorical that contracting out was not a good idea, that they had not put on for it in the United States and it is not in the present setup. I could be corrected on this, but I think he was quoting his friends in the United Kingdom as saying it was not a good idea.

Mr. KIRKLAND: I would imagine that the friends of Mr. Robert Clark—or rather, Mr. Robert Myers—in the United Kingdom might not think it was a good idea. The name Clark was in my mind, because a report was made about 1935 by a gentleman named Clark on the question of contracting out in the United States and the matter was turned down. When we consider United States social security, we must remember that this is essentially a pay-as-you-go plan. Contracting out with a pay-as-you-go plan presents difficulties which are not present to the same extent where the plan is based on a level contribution rate.

Furthermore, as Mr. Funnell points out, there were relatively few plans in force in the United States when social security was introduced, and the need for contracting out did not exist to the same extent as it did in Great Britain in 1960.

I have been told, again only by friends in the consulting business in Britain, that they believe that the contracting out feature in the British plan has served as a brake and discipline on the British Government that has avoided political future changes in the plan that might otherwise have been made. My understanding has been that the plan now proposed is designed to take pensions out of politics.

Mr. KNOWLES: I would say that this is an open question.

Mr. MUNRO: I would say "wishful thinking" would be more accurate.

Mr. KNOWLES: I think you have the answer all right, Mr. Kirkland.

Mr. KIRKLAND: Hope springs eternal!

Mr. KNOWLES: Some of us do not think politics is a bad word.

Mr. KIRKLAND: My best friends are politicians, sir.

Mr. KNOWLES: You identified the United States plan as a pay-as-you-go plan. What definition would you give to the Canada Pension plan?

Mr. KIRKLAND: Madam Chairman, the method of funding used by the Canada Pension Plan, I think, has to be described as a mixed system of funding, that is, a method of funding that does not attempt to set up a full fund that will be sufficient to meet all incurred liabilities if the plan should be wound up, as applies in the case of industrial plans. It has required a contribution rate that is above that of the pay-as-you-go approach.

In other words, it is a mixed system of funding. I would say, though, it is designed for deferred or later conversion to a pay-as-you-go plan. Whether this will occur in 15, 20, 25, or even 30 years time is impossible to say.

So far as we are able to ascertain, this method of funding has not been used by any other country in exactly that form. There have been plans where some element of funding existed, that is, a mixed system of funding designed for early conversion to pay-as-you-go, and this would be true of the United States social security plan.

The Quebec plan as designed, according to the interdepartmental report study, was a mixed system of funding designed to provide a level contribution rate, and tests carried out indicated that the fund will continue to grow for at least 50 years. Estimations beyond that are of a very limited reliability.

We are rather fearful lest the existence of the fund that is established under the terms of the Canada Pension Plan is of not sufficiently definite a nature that it could not be used for purposes not originally intended; for instance, the improvement of benefits without any immediate apparent cost.

A further disadvantage of the plan as it now stands is that a province could, as we understood it, decide to establish its own plan, provide identical benefits, but charge pay-as-you-go contributions and would always require and always continue to require a lower level of contributions from its people than the rest of Canada.

Mr. Funnell feels that the contribution rate may not always be lower. Possibly the current rate may not be, but I believe it will be found that the amount paid by people will almost definitely be less than the amount which would be paid under the Canada Pension Plan, and yet they will get the same benefits.

Is this not a feature that can be described as unstable in the plan?

Mr. KNOWLES: In other words, and correct me if I misinterpret you, you feel the plan is neither one nor the other at the moment, but it is designed in such a way that it may and probably will be converted in a few decades to a pay-as-you-go plan.

Mr. KIRKLAND: That is correct, Madam Chairman.

Mr. KNOWLES: And I gather that one of the reasons you want to make the change is that you would rather keep it a funded plan than a pay-as-you-go plan?

Mr. KIRKLAND: Madam Chairman, I do not think we would like to say as a country that we would prefer a funded plan, other things being equal. We can agree with Miss LaMarsh that the pay-as-you-go approach has certain advantages, provided the population is advised of the ultimate rise that will occur in pay-as-you-go costs. However, this is not a pertinent matter for us to consider, since we understand that the Quebec government has decided that the funded plan is required in the province of Quebec, and we can see great advantage in a uniformity of approach across the country. Indeed, the reversion to a 20 year transition period would be restoring one of the important features of the Quebec plan, a feature that was a necessary part of the actuarial design of that plan.

Mr. KNOWLES: I am sure you will be interested in the brief we had this afternoon, of the Canadian Manufacturers' Association. Oddly enough, I found myself agreeing with a few of its submissions.

They expressed no anxiety at all at the prospect of rates of contribution having to go up at a later date. In fact, they argued against it, but completely they would have had the rates reduced at this point, in other words, would have moved closer in the direction of a pay-as-you-go plan.

Mr. KIRKLAND: May I just agree with Mr. Knowles, Madam Chairman, that this has certain advantages, and we can see the advantages might be so great that some province might decide to adopt that approach, for all we can tell at this stage, perhaps not now but in a few years time. However, we have kept in mind that the Quebec government has established a pattern which would make it very hard for the Canadian Manufacturers Association plan to be adopted on a uniform basis.

Mr. KNOWLES: Are you saying theoretically that you would like to see the plan neither one thing nor another, rather than a mixed plan?

Mr. KIRKLAND: Yes, Madam Chairman.

Mr. KNOWLES: My other question, and it is in the field of contracting out, is this. You are concerned, as many people are, about the complexities in the plan. Would we not in Canada have a great many more complications to deal with if contracting out were allowed, bearing in mind the fact there is mobility of labour—we would have people working part of their lives in an industry that had contracted out, and then for a while in an industry under the Canada Pension Plan, and then an industry under the Quebec pension plan, and back to something else. Does this not add more complications than it subtracts?

Mr. KIRKLAND: I will agree that contracting out will have produced problems. I think they lie within the ability of those who have been able to produce such a thorough document to overcome so many difficulties. They have overcome so many difficulties so far that I believe these additional difficulties lie within their ability.

As regards the complication of having a pension from several sources, we are going to be faced with this, in any event. It would seem that a typical employee, certainly in Quebec, will get three pensions from three sources, namely, from the old age security, from the Quebec plan, and from a private plan. In the contracting out, they may receive a cheque from only two sources. In other cases they may receive it for more.

Mr. KNOWLES: I appreciate the fact that people will get pensions from a number of sources, but the particular point that seemed to bother me about your arrangement is this, that if you don't have contracting out, at least for his Canada pension arrangement, a worker's work history is a piece, it is either in the Quebec plan or in the Canada Pension Plan—it is in the Government plan. But if you have contracting out, part of a worker's life history is in a Government plan and part of it is in a company plan, outside.

Mr. KIRKLAND: That is quite true.

Mr. FRANCIS: Just following Mr. Knowles' questions on contracting out, Madam Chairman, I was thinking of the comparison between the United Kingdom and Canada. There is a constitutional problem. I think the primary jurisdiction in the supervision of a pension plan would be provincial. Wouldn't there be some rather serious difficulty in making sure the plans that were contracting out were kept in step with the general level of benefits, and so on, of the Canada Pension Plan? Wouldn't there be very serious problems in supervising and keeping in touch with the contracting-out plans in different provinces, especially if the provinces did not all establish the necessary authorities?

Mr. KIRKLAND: Madam Chairman, Mr. Francis' point is rather similar to the problems that arise in connection with the supervision of insurance in Canada, which is primarily a provincial matter, but due to what I understand was an arrangement between the provinces and the federal Government, the Department of Insurance at Ottawa effectively carries out supervision on behalf of the provinces. I suppose a similar arrangement could be made in the case of contracting out.

Mr. FRANCIS: In that event, if there were any changes, say, in the Canada Pension Plan, the problem of bringing the contracted-out plans up to the benefit levels of the Canada Pension Plan would raise a number of administrative difficulties, would it not?

Mr. KIRKLAND: Madam Chairman, I think the provinces are going to take on an even harder task when they place solvency tests on pension plans, when they require vesting provisions in pension plans, and several other factors in pension plans, which they are about to do.

Mr. FRANCIS: How many provinces have enacted legislation of this nature?

Mr. KIRKLAND: One has to date, but I read in the paper today that seven provinces have indicated they are going to follow the Ontario Government.

Mr. FRANCIS: I was just interested in some of the problems.

Madam Chairman, I was going to ask a question based on the brief.

Quoting from page 9, it states:

> Accordingly we present as a difficulty, the fact that there are inherent instabilities associated with the funding system. The operations of the plan will be very dependent on future actions of future governments. The matter could be a recurring election issue both at the federal and provincial Government levels.

I was very interested in this because, as has been indicated by the Minister in her statements to the house and elsewhere, this is one of the concerns we have with the present Old Age Security program. Don't you agree essentially the same criticism you make here could be made of the Old Age Security program now in existence?

Mr. KIRKLAND: Madam Chairman, I have only heard so far of one province which will be willing to take on Old Age Security payments.

Mr. FRANCIS: My concern is that there could be a political issue regarding the revision of benefits in Old Age Security.

Mr. KIRKLAND: The Old Age Security pension so far as the federal Government is concerned has, no doubt, been a continuing concern of federal politicians. This has, so far, not been very much a concern of provincial politicians.

Mr. BASFORD: But supplementing the Old Age Security pension has been a concern of provincial politicians.

Mr. FRANCIS: I was not aware that your comments were restricted to the provincial level at this time.

Mr. KIRKLAND: I was considering all levels of government. A provincial government that, for example, decided it wished to opt out, contract out of the Canada Pension Plan and provide a higher level of benefits and/or provide for contributions on a pay-as-you-go basis, could do so and could take advantage of the fund that would be their right to enable them to do so.

Mr. FRANCIS: The suggestion that the transition period be increased from 10 to 20 years, would not this have the effect of merely making a larger fund and creating a greater temptation to instability of this nature?

Mr. KIRKLAND: Madam Chairman, the solution we suggest is not perfect. The point Mr. Francis mentioned is a very good one. However, we feel the acceptance of the Canada Pension Plan on the basis it is designed to operate with a level contribution rate would be a determining factor on the future operations of that plan, unless that feature were to be destroyed. In that case any province would not have the same freedom to use the fund indiscriminately. Indeed, the safeguards are not complete unless at the same time contracting out

is permitted, in view of the discipline this will then exercise on future governments in retaining that level contribution feature of the Canada Pension Plan.

Mr. FRANCIS: Madam Chairman, this is my last question. I was interested in Mr. Kirkland's statement in regard to the operation of contracting out in the United Kingdom, which he described as a brake upon the Government. I wonder if he could elaborate on that point? I did not quite follow his thinking on that point.

Mr. KIRKLAND: Madam Chairman, my understanding is that the Government and the Opposition at the last election recognized that any radical change in the form of pension plan they now have, apart from a change in maximum earnings or some feature of this sort, would disrupt the arrangement of contracting out which has been adopted by such a large part of British industry. For example, a large increase in benefits with no corresponding change in contributions, which might be possible—and certainly in the Canadian plan it would be possible, and it might be possible in Britain—would immediately upset the contracting-out arrangement that had been established. The Government would be, so I understand, reluctant to upset this arrangement. Therefore, the contracting-out feature would act as a brake on any very elaborate change in benefits.

Mr. GRAY: I will be very brief, Madam Chairman. Many of the questions I might have asked have been dealt with.

I was interested in your Appendix I, sir, on page 34, in which you attempt to establish a private pension plan coverage in Canada. Even accepting the figures you have there, it would seem to me the most you do is indicate a certain type either of membership on the part of employees or the provision of plans by employers in which employees may not be members. You do not actually attempt to show that whatever plans are available provide acceptable levels of benefits. Isn't that a very big question which affects the validity, if I may put it that way, of some of the hypotheses you put before us in your brief?

Mr. KIRKLAND: Madam Chairman, I would agree the level of benefits is also important. I would mention, though, that even a low level of private plan is an addition to the amount we have been considering when we look at the Old Age Security and Canada Pension Plan together. I would also mention that only those employers who were providing a pension of a sufficiently high level to give more than the Government pension would be permitted to contract out. This could very well decide some employers to improve their benefits.

Mr. GRAY: Of course, the problem has been put to you as to how control would be kept in the light of the divided jurisdiction, control or supervision or policing of the plans that might be allowed to contract out, because of the divided jurisdiction.

Mr. KIRKLAND: Madam Chairman, fortunately the provinces are now in the process of establishing offices, ministries, departments, that will have to provide even greater supervision and have to carry out even greater inspection of private plans than the particular feature Mr. Gray has mentioned.

Mr. GRAY: Mr. Kirkland, are there any other provinces that either have in force or pending in their legislatures at the present time anything similar to the Ontario Pension Benefits Act?

Mr. KIRKLAND: Madam Chairman, according to our information, Manitoba has similar legislation pending, Quebec has indicated its intention to do so, and, as I mentioned earlier, the gathering that took place in Toronto earlier this week has probably brought about agreement from some seven provinces to put in similar legislation. I do not know any more details than that.

Mr. GRAY: The agreement did not include any time table?

Mr. KIRKLAND: Madam Chairman, the time table I have heard throughout is that it will be effective from the end of this year.

Mr. GRAY: It was interesting to me that in spite of the favourable nature of the plans in Ontario, to which you appeared to make some allusion in reply to earlier questions, the Ontario Government found it necessary to introduce the Pension Benefits Act, which in its original form provided for minimum standards, not only of solvency and portability, but of payments as well.

Mr. KIRKLAND: Madam Chairman, the point Mr. Gray makes is one that I welcome the opportunity to speak on. The original legislation enacted in Ontario was designed to make private pensions portable and to avoid the lack of pensions being a reason for refusing to engage older workers. It was later realized that if pensions were to be portable, that is if an employee had a vested right in his pension, it was necessary to make sure the fund supporting the pension was solvent.

This became a second feature of the legislation. Then it was pointed out that some employers, an appreciable number, had no pension plans at all. So, as a third point of the legislation, the requirement was added that any employer of more than 15 employees had to install a minimum level of pension known as the standard plan.

Mr. GRAY: This would indicate that a gap existed which was sufficient enough to be taken care of by legislation.

Mr. KIRKLAND: Madam Chairman, how sufficient a gap has to be I don't know, but certainly one-third of the employers probably had no pension plan.

Mr. GRAY: I have also been struck by the fact sir, that whereas the suggestion has been made in your brief, particularly in Appendix I, that not only are a very high number of employees covered by private pension plans but also they are very likely to have added benefits, the representatives and spokesmen of organized labour are very strongly in favour of a Canada Pension Plan. This would seem to me to imply that they do not agree that either the existing private pension plans cover enough employees or that those covered are getting adequate benefits at the present time.

Mr. KIRKLAND: Madam Chairman, I admire many of the officers in organized labour and I feel that they must in their position endeavour at all times to provide as high a level of benefits as possible to their members. At the present time our problem in private plans is not providing labour with high enough pensions, on the contrary it is providing salaried employees with pensions that are as high as the unionized employees are getting in the same organization.

Mr. KNOWLES: They should get organized.

Mr. GRAY: That is right. Now, I may have misunderstood an earlier answer of yours, but did you say that you were developing private plans which had built into them cost of living adjustments?

Mr. KIRKLAND: Madam Chairman, such plans are possible and are being developed by our company.

Mr. GRAY: This would involve a form of indexing?

Mr. KIRKLAND: The matter is more complex than I can deal with adequately at this stage. It would involve a form of indexes, and something similar to the pension index would probably have to be employed.

Mr. GRAY: You would not be frightened then of the possible effect on cost levels, and so on, in the economy if this concept were adopted widely throughout the private pension field?

Mr. KIRKLAND: Madam Chairman, when we are talking about private plans we are talking about something which is altogether different from a

Government plan. The assets of a private plan can be invested in a manner that governments very often are not willing to use. The assets of private plans are invested appreciably, for example, in common stock investments. And, today, the appreciation that is taking place in common stock is supporting pensions that are remaining level, and one might draw the conclusion that the benefit from that appreciation in common stock is not going to the pensioners but back into the common funds.

This is a matter which could be corrected if we were to introduce more plans where the pension is related to the cost of living.

Mr. GRAY: But do you not feel that if this were done this would create inflationary pressures of a serious nature?

Mr. KIRKLAND: Madam Chairman, I am not an economist. I would rather not answer that question.

Mr. GRAY: Let me put it this way. If for some reason your company were given the opportunity to be the consulting actuaries for the great majority of private pension plans in the country, and the amount of coverage they have now was maintained or increased, would you shrink back from providing them with the cost of living index to which you referred?

Mr. KIRKLAND: Where these plans are in effect there are certain limiting factors, such as the cost of living increases, just as there are in the Canada Pension Plan. The plans to which I am referring are in operation in the United States as part of our organization.

As to whether the effect would be inflationary or not, as I say I am not an economist and not qualified to answer, except that I imagine it would be no more inflationary than the pension index in the Canada Pension Plan.

Mr. GRAY: Which you are willing to accept, at least as an actuary? You were, at least, when you wrote your brief.

Mr. KIRKLAND: Madam Chairman, the difficulties we mentioned in our brief are not all of the difficulties. We concentrated on certain ones which we felt should be drawn to your attention.

Mr. GRAY: Just one final question. You made a comparison on page 24 of your brief with U.S. social security and so on. This may have been covered, but are you aware that the 1965 report of the U.S. Advisory Council on Social Security advocated benefits, as I am informed, of $166 for a single man and $270 for a married couple?

Would it not be wise to assume that just as there have been increases in the U.S. social security level benefits over the past 10 years there will be increases in the next 10 years?

Mr. KIRKLAND: We would be most surprised if there were not. Indeed, we have mentioned this point and we have said that we have assumed that any increases in the U.S. benefit level will affect both plans in both countries to a similar extent.

This is on page 24. We would anticipate that it is extremely likely that further increases in wages and costs will bring about further adjustments in U.S. social security and will certainly have an effect on the benefit level in the Canada Pension Plan. We anticipated pending changes in the social security legislation that are not yet in effect.

Mr. GRAY: Quite so. You are suggesting, then, that the projected top level of benefit in the Canada Pension Plan is for 10 years, hence the top level projection now is likely to be even higher 10 years from now.

Mr. KIRKLAND: If wages and costs increase in the next 10 years the formula for the Canada Pension Plan will make provisions for a higher level of benefits.

Mr. GRAY: But your comparison, so far as the figures are concerned, is the presently projected maximum 10 years hence with the United States figures taking into account the currently pending increases. If we also take into account such things as the recommendations of the United States Advisory Council on Social Security, to which I referred, would you not agree that it is quite likely that the disparity be either not existent at all, or not be as great as the disparity to which you refer in your brief?

Mr. KIRKLAND: Madam Chairman, I believe that even this impending increase has met with some resistance in the United States legislation. However I think it is likely to go through, from my information. We would consider it unlikely that increases in the future would occur if we were to have ahead of us a period of stable costs and wages. I believe I am right in saying that the increases in social security that have occurred in the past have been due to the effect of inflation on the economy, and this would affect all plans broadly to the same extent.

Mr. AIKEN: Mr. Kirkland, I would like to direct a few questions to you in connection with the contracting-out proposal. You have made two suggestions: one is extending the adjustment period, and the other is the question of contracting-out. You stated that you would really require an extension of the adjustment period before you could contract out. I presumed the opposite would be the case. In other words, we could accept your recommendation to extend the adjustment period, and not the second one if we considered it not feasible.

Mr. KIRKLAND: That is correct, Madam Chairman.

Mr. AIKEN: I would like to ask about the financial implications of contracting out. I have the understanding that the plan is all-inclusive for financial reasons as well as social reasons. By that I mean that those who constructed the plan felt that they had to have everybody in it in order to make it a properly constructed plan. Would this be anywhere near correct?

Mr. KIRKLAND: Madam Chairman, I can imagine that if those who contracted out materially affected the averages that would apply to the population as a whole it could have some effect on the operation of the plan, just as the contracting out of a further province which happens to have a different age distribution or a different salary distribution would. Presumably that would have some small effect on the costs of the Canada Pension Plan.

It would seem that the difficulties that will arise from some employers with a young age distribution or low salaries, or something of this sort, contracting out will be no different from those that are being faced in Britain. According to my understanding, the decision whether to contract out or not in Britain did not depend upon the age distribution so much as the salary distribution. But, I suggest it would not have any damaging effect on the operation of the Canada Pension Plan. I feel that it will not be a feature that will be employed by very many employers. I certainly think that there would be advantages if some of the larger employers were permitted to contract out. I am thinking of the provincial civil service, for example, and the teachers in some of the provinces—the universities and bodies of that sort—all of which are providing a level of benefits far in excess of the Canada Pension Plan.

Mr. AIKEN: Would not the plan then lose its biggest and most easily collectible sources of contributions?

Mr. KIRKLAND: It would lose some contributions, but it would also avoid certain liabilities.

Mr. AIKEN: I am just trying to find out because it seemed to me that this was the reason why these people were not allowed to contract out in the con

struction of the plan—because the biggest and easiest source of revenue would be gone.

Mr. KIRKLAND: Madam Chairman, I have no sure knowledge of the reasons that motivated the Government in this matter, although I would suppose 10 years and the impending conversion to a pay-as-you-go basis, that contracting out would be very difficult and hardly practical at all. The level of contributions to provide the benefits for those near retirement under the Canada Pension Plan at the present time is so extremely low that it would not make contracting out very popular.

Mr. AIKEN: I would like to ask one question about the mechanics of contracting out. This rather surprised me. You said earlier that if these bodies were allowed to contract out it would only be with respect to the main benefit and not with respect to the related benefits of disability and widows' pension, and so on. Now, how could this be accomplished mechanically? If an employer contracted out would not that mean there would be no contributions to the plan?

Mr. KIRKLAND: Madam Chairman, I would suppose that the contributions to disability and widows' benefits will continue to be paid to the Government, just as they are in Great Britain, as would the contributions to old age security. It would only be the pension benefits to the employee that would be subject to contracting out, and the corresponding contributions would be excused.

Mr. AIKEN: I was under the impression that there was only one contribution. How can you divide the contributions?

Mr. KIRKLAND: Madam Chairman, the contributions can be divided as between pension, on the one hand, and widows' and disability pension on the other. A division was made in the interdepartmental study made in Quebec. Their contribution rate was $3\frac{1}{4}$ per cent for pensions, and $\frac{3}{4}$ of 1 per cent for the other benefits.

Mr. AIKEN: Yes. Well, I understand that as a result of the amendment to the B.N.A. Act with the inclusion of these benefits the pension rate went up a precise amount in the calculations leading to this plan. I presume, therefore, that it can be broken down in the same manner; that you can calculate the amount of contribution for retirement pension and the amount for related benefits.

Mr. KIRKLAND: That is correct, Madam Chairman.

Mr. AIKEN: But there is no provision in the act now. This would have to be an additional provision.

Mr. LAVERDIÈRE: Madam Chairman, my question is simple, and it will be very short. I would like to know what is meant in the brief at page 9 by the word "wisely" in this sentence:

> The Chief Actuary in his report has wisely avoided making recommendations in this respect.

I would also like to know what is meant by the word "political" in the next sentence, which is:

> The matter is essentially a political question.

Mr. KIRKLAND: Madam Chairman, I can only answer that question by stating that it is not an actuarial question. I therefore assume that it will be a political question.

Mr. LAVERDIÈRE: Well, what is meant by the word "wisely"?

Mr. KIRKLAND: Madam Chairman, a wise actuary confines his work to actuarial work.

Mr. GRAY: I have a supplemental question, if I may put it. Are you suggesting, therefore, sir, that those of your colleagues who have appeared before us and who have attempted to make suggestions with respect to economic factors, are not taking—

Mr. MONTEITH: That is not fair, Madam Chairman.

Mr. KIRKLAND: I can answer that very gladly, Madam Chairman. Many actuaries are also economists.

Mr. KNOWLES: And some are also politicians.

Mr. KIRKLAND: Madam Chairman, maybe the number will increase when they see what an actuary can do with this plan if he were a politician.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any other questions?

Mr. BASFORD: Madam Chairman, I was going to be very quiet and even tempered tonight. I appreciate the fact of these gentlemen coming before us, but I have been a little disturbed by some snide remarks in your brief and presentation, and in other briefs, about politicians and our political processes.

Speaking for myself, I am very proud to be a politician, very proud of the political processes in Canada. It seems to me that, if our people need better pensions, we should be proud to be associated with the provision of such better pensions. In my opinion, the getting of better pensions for our people is and must be essentially a political question and we should not get pensions only when we are told we should get them by a group of authoritarian actuaries.

Mr. AIKEN: Mr. Basford is thinking of the six buck boys.

Mr. KIRKLAND: Being merely an actuary, not intending to inform politicians what they should do, I can merely say that we are concerned in this matter not with present politicians for whom I have the greatest respect but with an unknown generation of future politicians at every level of government.

Mr. BASFORD: I will answer that by saying that while you might not be an economist you are an actuarial politician.

Mr. KNOWLES: You are both diplomats.

Mr. KIRKLAND: I am Irish, Madam Chairman, and that helps.

The CHAIRMAN (*Hon. Mrs. Fergusson*): As there are no further questions, on behalf of the committee I would like to thank you, Mr. Kirkland and Mr. Funnell, for making this presentation on behalf of your organization. You have brought to us some new and interesting ideas and suggestions which certainly will receive the serious consideration of the committee.

Mr. KIRKLAND: Thank you.

APPENDIX A23

THE CANADIAN LIFE INSURANCE OFFICERS ASSOCIATION

302 Bay Street, Toronto 1, Canada

January 18, 1965.

Mr. A. J. P. Cameron, M.P., Chairman,
Joint Parliamentary Committee on the
Canada Pension Plan,
House of Commons,
Ottawa, Ontario.

Dear Mr. Cameron:

The following is the information concerning Chart 1 in our submission that was requested during the hearing on January 13th.

Question 1: Why were the supporting figures not provided?

Answer: The supporting information was omitted from the submission in the interest of brevity. We had it available at the hearing.

The gross national product figures were taken from the national accounts in the United States and Canada for the first two quarters of 1964 which were available to us when the submission was prepared. Population as at mid-1964 was used. The resulting per capita G.N.P. figures per month are $265 for the United States and $195 for Canada. The third quarter national accounts have since been released and for both countries are higher than these figures but the basic relationships depicted in the Chart would be unchanged.

More than 20% of the population of the United States now age 65 and over does not receive any benefit under the graduated benefit program which has been operating for more than 25 years. We understand that a decade or more hence this percentage will be smaller but still significant in size. Notwithstanding this, the minimum benefit shown for the United States in the Chart is that proposed for Social Security. Aside from this comment, we believe the footnote to Chart 1 adequately describes the benefit information provided in the Chart.

The following table shows the supporting information in full:

PROPOSED GOVERNMENT RETIREMENT BENEFITS AS A % OF CURRENT PER CAPITA GROSS NATIONAL PRODUCT

	Monthly Benefit	% of per capita G.N.P. per month
Single Person		
Minimum—U.S.A.	$ 42.00	16%
Canada (at 65)	51.00	26
Canada (at 70)	75.00	39
Maximum—U.S.A.	143.40	54
Canada (at 65)	155.17 (104.17 + 51.)	80
Canada (at 70)	179.17 (104.17 + 75.)	92
Each Person in a Married Couple (One Getting Graduated Benefit)		
Minimum—U.S.A.	$ 31.50 $\left(\frac{42. + 21.}{2}\right)$	12%
Canada (at 65)	102.00 (51. + 51.)	26
Canada (at 70)	150.00 (75. + 75.)	39
Maximum—U.S.A.	107.55 $\left(\frac{143.40 + 71.70}{2}\right)$	40
Canada (at 65)	103.08 $\left(\frac{104.17 + 51. + 51.}{2}\right)$	53
Canada (at 70)	127.08 $\left(\frac{104.17 + 75. + 75.}{2}\right)$	66

Question 2: Why is there no date attached to Chart 1?

Answer: We believed that no elaboration on paragraph 18 and the heading and explanatory footnote of the Chart was necessary.

Question 3: Is it correct that Chart 1 applies to the year 1976 or later?

Answer: It is proposed under Bill C-136 that the $51.00 Old Age Security benefit be available in Canada for persons at 65 commencing in 1970 (Proceedings No. 2, page 79). The $75.00 Old Age Security benefit is available now. The maximum benefit shown in the Chart for Canada would be available in 1976 or later.

The minimum benefit under the United States Social Security would be immediately available, we believe, if and when the proposed change in the program discussed last summer is put into effect. Since the U.S. benefit calculation is based on wage records back to 1950 excluding five drop-out years (Proceedings No. 3, page 149) and since the maximum benefits of $143.40 and $107.55 shown above would be based on the fourth change in the pensionable earnings maximum since 1950, it would be a number of years after 1976 before U.S. beneficiaries would qualify for those maximum benefits.

Question 4: If so, did the Association project both gross national product and total population for Canada and the United States for the next ten years?

Answer: Yes. The following is he information on per capita G.N.P. per month for the year 1975 which we had available at the hearing.

For Canada, using a G.N.P. of $88 billion (Proceedings No. 8, page 421) and population figures of 23,553,000 and 25,543,000 from the Actuarial Report (Proceedings No. 10, page 513) we obtain figures of $311 and $287, respectively for per capita G.N.P. per month. For the United States we used three projections in Study Paper No. 20, 1960, issued by the Joint Economic Committee of the United States. Since the U.S. projections were in constant dollars, we adjusted for prices using the same assumption as in the Actuarial Report (Proceedings No. 10, page 496). The three projections of 1975 per capita G.N.P. per month for the United States were $468, $424 and $391. We then related the monthly benefit figures shown in the answer to Question 1 to these denominators with the following results:

PROPOSED GOVERNMENT RETIREMENT BENEFITS
ABOVE AS A % OF 1975 PER CAPITA G.N.P.

	High Est.	Med. Est.	Low Est.
Single Person			
Minimum—U.S.A.	9	10	11
Canada (at 65)	16		18
Canada (at 70)	24		26
Maximum—U.S.A.	31	34	37
Canada (at 65)	50		54
Canada (at 70)	58		62
Each Person in a Married Couple (One Getting Graduated Benefit)			
Minimum—U.S.A.	7	7	8
Canada (at 65)	16		18
Canada (at 70)	24		26
Maximum—U.S.A.	23	25	27
Canada (at 65)	33		36
Canada (at 70)	41		44

Question 5: Has it been assumed that the husband and wife are the same age in Canada?

Answer: As the footnote to the Chart states, it is assumed that in the case of the Canadian couple both husband and wife took the Old Age Security benefit at the same age; this does not necessarily mean that they were born in the same year.

Question 6: Has this also been assumed for the husband and wife in the United States?

Answer: It is assumed that both took the benefit at age 65 or over; this does not necessarily mean that they were born in the same year.

Question 7: Is the Association aware that the average age of wives is generally two or three years less than the average age of husbands?

Answer: Yes.

Question 8: In paragraph 64, the Association assumed that a man age 65 had a wife age 63. Why was not this assumption made for Chart 1?

Answer: This situation was covered in the answer to Question 1 and, in essence, in the Chart. If the Canadian wife is under 65 (or 70 as the case may be) and the U.S. wife has not applied for her benefit, then the "Single Person" benefits would apply.

Question 9: If it had been made for Chart 1, would not the percentage for the married couples in Canada be reduced because the wife would not be eligible for Old Age Security?

Answer: See the answer to Question 8.

Question 10: Considering the fact that benefits for wives are available in the United States at age 62, would it not be correct to say that the percentages for married couples in the United States as shown in Chart 1 would be lowered if a more realistic assumption were made as to the age of wives compared to husbands?

Note: We are not sure that we have correctly recorded the wording of this question from Mr. Cashin's list. We shall check it against the transcript when it becomes available and if the substance of the question is wrongly set out above, we shall supplement or modify the following answer.

Answer: The benefit available to the U.S. wife at age 62 is three-quarters of the benefit she would get at age 65. It follows that where the wife took the reduced benefit the percentages for each person in a U.S. couple would be lower as Question 10 suggests.

As indicated in the answers to Questions 5 and 6, no assumption was made in Chart 1 about the age of wives compared to the age of husbands.

Yours sincerely,

F. Dimock.

APPENDIX A24

SUBMISSION BY SAMUEL ECKLER OF ECKLER BROWN & COMPANY LTD.

I. INTRODUCTION

Bill C-136 is a major social document, the implementation of which will profoundly affect the well-being of every Canadian. Since an expert evaluation of the Canada Pension Plan involves the skills of the economist, the social worker, the politician—as well as that of the actuary—I make this submission with some diffidence and yet with the hope that my comments will prove constructive in a small measure toward the development of a sound and adequate system of social security for Canadians. I represent no one but myself and my opinions do not necessarily reflect those of any of my clients nor of the actuarial profession.

The contents of this submission can be classified into three parts: first, an alternative to the earnings-related Canada Pension Plan; secondly, the difficulties attendant upon a federalized earnings-related plan; and thirdly, an examination of some aspects of Bill C-136.

II. AN ALTERNATIVE TO EARNINGS-RELATED PLAN

If the Canadian and provincial governments could be persuaded to reverse gears and start afresh, a major modification in the OAS flat rate type of program should be made and the earnings-related supplement omitted entirely. The provinces should limit themselves to the regulation of private pension plans and the establishment therefor of rules for minimum portability, disclosure and solvency. The experience of the last twelve years has only reinforced the arguments set forth by the joint parliamentary committee chaired by Senator King and then Member of Parliament Jean Lesage in favour of a flat rate old age security benefit and opposed to an earnings-related pension. The OAS type has many advantages over a complex earnings-related plan but these impress me as the most important of them: it is very economic to administer and easily understood by everyone and it provides universal coverage and potentially clear-cut fiscal arrangements. Perhaps we have lost our daring and become unduly impressed with the conventional earnings-related type of state pension plan. We pioneered twelve years ago in devising a plan that is now relatively generous on a flat basis and have not given it a chance to work. It seems to me that with the following major changes it could be made to work.

1. The level of benefits should be adjusted by some formula relating to the basic general wage level throughout the country. Some consideration might be given to the idea of William M. Anderson that the OAS payments should vary by age in relation to the economic needs and resources of the various elderly age groups.

2. The main argument against the flat rate benefit is that it does not take account of the different earnings levels in various provinces and areas in the country. If one is sufficiently concerned about this objection—I am not since I would be inclined to favour a redundant OAS payment in small segments of the Canadian community as a modest price to pay for the universality and administrative economy of the OAS type of plan—the level of benefits could be varied in relation to the periods of residence in any specific province during the five or ten years preceding the attainment of minimum age for entitlement to the OAS benefit. This would be a far easier administrative arrangement than

the intricate record-keeping and expensive supervision of an earnings-related plan.

3. Under the present OAS plan, a married couple with a five year age differential—e.g. husband age 70 and wife age 65—receives $75 a month for five years and $150 a month after they both reach age 70. This sharp increase in benefits after five years will only infrequently coincide with the resources and needs of the aged couple. Instead of the $150 payable monthly to a married couple after both attain age 70, a formula could be devised to provide something less—e.g. $125 per month—to a couple when the older spouse reaches age 70. Again this would not be a serious administrative problem and would certainly not require the type of record-keeping necessary for an earnings-related plan.

4. Actuarially reduced OAS benefits could be provided any Canadian over age 65 who has completed the residence requirements. Although such an option might require larger cash disbursements immediately, it would not necessarily involve an additional real cost.

5. Disability pensions could be granted to all Canadians who have completed the residence requirements, intially perhaps for disabilities commencing after age 55. The disability benefit under the OASDI in the United States has worked out better than many people expected. If a flat rate approach is used, there is again no need for earnings records but only for an examination of the status of the applicant at the date of possible entitlement to benefit. Similarly, flat-rate widows' and other dependents' pensions could be provided subject to certain age and residence requirements.

6. Projections of benefit payments for reasonably long periods of time should be made regularly and disclosed to parliament.

7. Specific income for the OAS fund in the form of taxes or contributions should be prescribed by statute on the basis of such long-range projections.

8. No major amendments should be made without prior actuarial and economic studies.

III. FEDERALIZED EARNINGS-RELATED PLANS

The idea of starting afresh—I fear—is now an exercise in nostalgia. If the Canadian consensus it that an earnings-related supplement is essential and that the OAS type of plan is not sufficient by itself to resolve the basic old age and other security needs of Canadians, then I like to think that it is still possible to work out a national plan and not a fragmented series of provincial-federal supplemental plans.

The difficulties of fragmented provincial-federal pension plans are not sufficiently appreciated. There is a fundamental difference between a pension plan and other social security measures, such as hospital insurance and workmen's compensation. Under a pension plan, a Canadian will accrue benefits during his working lifetime; and although the benefit payments will start at a definite date, they will be related to his work period spent often in more than one province. He does not build up the same accrued benefits under workmen's compensation or hospital insurance. In these cases the benefits and the liabilities are allocated to the province where the accident or sickness occurs. The same analogy cannot therefore be applied, as some have done, to accrued pension benefits. A state pension plan is a social security program and should be on a national and not a regional basis.

I am sympathetic with the desire of Quebec to run its own show and the similar desire perhaps of other provinces. But surely these objectives could be reached by developing a national earnings-related supplemental plan administered by a state agency representing the federal and provincial governments. There is no reason as well why an accounting could not be maintained so that

each province invests as it wishes the funds accumulated in that province. Such a plan would be enacted not by the Canadian parliament alone but by some joint measure of the provincial legislatures and the Canadian parliament. Changes would then require unanimity among the provincial legislatures and parliament. The fact that it is difficult to amend the plan might be attractive to the representatives of the provinces and the country at large but only if the initial plan is devised with sufficient foresight and flexibility to provide for adequate old age security for a long period of time.

Is it too late now to persuade all the provinces to join a national plan and avoid the separate plans now being contemplated?

IV. COMMENTS ON SPECIFIC PROVISIONS OF BILL C-136

1. *Costs and funding.*

(i) The size of the CPP fund is uniquely determined by the relationship in each future year between the total income of the plan (contributions and interest) and total outgo (benefits and expenses). A change in any of these components in any future year will change the amount of the fund. Accordingly, the size of the fund will be affected by many factors including the benefit and contribution formulae, levels of contributory earnings, the period over which benefits reach full maturity (which is now ten years), various actuarial, economic and demographic factors such as family composition, rates of mortality, fertility, disability, retirement, interest, unemployment, participation, etc.

(ii) The difficulty of estimating many of these factors for even a relatively short period of time leads me to prefer a projection for a period of about 25 years. A projection beyond that period is speculative and perhaps even deceptive.

(iii) I favour neither pay-as-you-go nor full reserve financing for the CPP and the OAS plan. Pay-as-you-go financing would involve too frequent changes in contribution levels which might be administratively and politically awkward and would necessarily lead to fiscal irresponsibility. Full reserve financing would probably require an unnecessarily long period for the benefits under the plan to reach full maturity and a gigantic fund which might be entirely impractical.

A projection of income and outgo of both the CPP and the OAS plan, using a single set of the most realistic assumptions, should be made for about 25 years. An average contribution level for the CPP and an average set of tax rates for the OAS plan should be determined on the basis of such projections. This method would necessarily involve the accumulation of a fund of moderate size.

The financing method suggested here is the same for all practical purposes as that used for the CPP except that, with some modification, it should be extended as well to the OAS component.

2. *Self-employed.* One of the reasons given in the Lesage-King report on old age security in 1950 for favouring a universal flat-rate plan over an earnings-related plan was the difficulty of covering the self-employed under an earnings-related plan. I think the CPP is right in making the coverage of self-employed compulsory but perhaps too optimistic that coverage and contributions will really be effective for this entire group.

3. *The 12% floor.* No contributions are to be made on annual earnings below the floor which is defined as 12% of the ceiling—i.e. $600 at the outset. On the other hand, the benefits are to be based on all earnings up to the ceiling including earnings below the floor. There is much to be said for this idea. In effect, it produces a graduated rate of contributions and exempts entirely the contributions for employees earning under the floor. In practice, however, I am fearful

that it may become an administrative headache because of the large number of refund cheques that will undoubtedly have to be processed and mailed each year to contributors who have made overpayments. The same advantage could be obtained by eliminating the floor from contributions and changing the benefit from a uniform 25% of the adjusted wage to something higher than 25% of the adjusted wage below the floor. Administratively, this latter method seems preferable because the adjustment or calculation would be made only once in the determination of the benefit and not literally hundreds of times as at present in the determination of contributions.

4. *Uncovered groups.* The very nature of the Canada Pension Plan omits large groups of the Canadian population from its full benefits. These groups include the present retired population, Canadians who will be retiring before 1976 when the Canada Pension Plan reaches full maturity, those self-employed who should but may not contribute to the Canada Pension Plan—and there may be a large number of these—and those Canadians who for some reason or another are not in the labour market, such as the disabled and the unemployable. This major defect can be diminished by shortening the maturity period and by enlarging the scope of the OAS plan.

Respectfully submitted,

SAMUEL ECKLER, F.S.A.

APPENDIX A25

SUBMISSION BY THE CANADIAN MANUFACTURERS' ASSOCIATION

67 Yonge Street, Toronto 1, Ontario

December 21st, 1964.

PREAMBLE AND PHILOSOPHY

1. The Canadian Manufacturers' Association welcomes the opportunity of presenting its views concerning the Canada Pension Plan as set out in Bill C-136.

2. The Association is a non-profit, non-political organization of manufacturers who, in 1871, first joined together to take concerted action on their common problems and interests. The Association's membership of over 6,000 is located in over 600 cities, towns and villages from coast to coast and produces about 75 per cent of Canada's total manufacturing output. It may be interesting to note that more than three-quarters of the Association's member firms employ less han 100 persons.

3. The Association is aware that in our modern economy various types of protection are necessary to ensure continuance of some income when the breadwinner's earnings are cut off through unemployment, disability, retirement or death. Much of this protection can be and is provided through private welfare plans either on an individual basis or through group arrangements.

4. There are and will continue to be differences of opinion concerning the type and extent of such protection. This is also true in the matter of the share of protection costs to be borne by the individual, his employer and different levels of government.

5. The Association has long recognized there is a social cost of doing business and its members are prepared to meet their fair share of this cost. They do feel, however, that they should not be expected either now or in the future to meet a disproportionate share. The Association strongly urges that this be fully taken into account in any and all social legislation including the very important question of timing, priorities and aggregate effects of a total program.

6. The social costs of doing business are not likely to remain static but these should not grow at a rate faster than the economy can effectively absorb. In fact, they cannot grow faster without having a significant impact on the overall well being of the nation and ultimately on the people they are intended to help.

7. The Association holds the view that any government pension plan requiring compulsory participation of employees must be on a shared cost or contributory basis. This is a very important principle which has been advocated by numerous representatives of government including the Right Honourable The Prime Minister. The Association is pleased to see this is one of the elements or characteristics of the proposed Government Plan as set out in Bill C-136. To preserve the contributory nature of the Plan it, of course, would be necessary for employees to pay on their own behalf their full contributory share. In any case, where this is not done the Plan would cease to be a contributory plan because the contributory principle would itself have been abandoned.

8. The Association fully realizes there is need for some level of retirement income for the people of Canada. Its view therefore is not a question of whether or not there should be pensions available but rather what kind, how much,

when and on what basis as well as from what source or sources. It is within this framework the Association presents its views.

9. At the very outset it should be made abundantly clear that the Association declares itself as supporting the principle of uniform pension legislation for the people of Canada. It does, however, feel compelled to register its disappointment that negotiations between and among the federal government and provincial governments has failed to produce a single plan in which all provinces would participate. The Association is so concerned with this unsatisfactory result that it strongly urges further negotiation in which all provinces would participate and hopefully arrive at a common understanding and a single plan.

10. It is the firm position of the Association that differences should not exist between and among provinces in the type, extent of coverage, administrative interpretation and application. In these circumstances and having regard for economy of operation, facility of administration and anticipated public acceptance the objective must surely be a single plan centrally administered.

11. It must be recognized that it is both appropriate and desirable for pensions to be provided through private sources as well as government sources. On this basis governments should not pre-empt the field either by legislative action or by providing a level of benefits that would have a similar effect.

12. It is suggested the function of government in this field is to provide basic pensions and the function of private plans thereafter is to provide such variable supplements as equity for all employee groups may suggest and as the means of employers and employees will permit.

13. The benefits of the proposed Canada Pension Plan stretches the concept of a "basic pension" to its full limit and when added to the Old Age Security benefit goes somewhat beyond what the Association regards as basic.

14. The Association is very concerned that the Canada Pension Plan function efficiently. Its concern is reflected in the suggestions it offers, some of which are to relieve anticipated administrative difficulties and others represent changes in substance and concept.

FUNDING

15. To some extent funding is an expression that lacks precise definition. It is loosely used in connection with pensions but for purposes of the Association's submission is intended to mean the accumulation of funds at calculated rates to ensure solvency. It is, of course, recognized that there can be and are various degrees or levels of funding both with respect to amount and timing.

16. The Association takes the position that the Canada Pension Plan as presently proposed provides for too high a level of advance funding. This will result in accumulation of an unusually large pool of finds which apparently will be diverted for use in provincial and municipal works projects of one kind or another.

17. The Association supports advance funding of private plans because there is no guarantee the employer will continue in business and always earn enough money to pay private pensions out of current earnings. This view does not extend to a pension plan which is underwritten by taxing authorities such as provincial or federal governments. In such cases the need for a high level of advance funding is virtually eliminated or substantially reduced. In this respect the need is limited to a modest stabilization fund for emergencies and contingencies. For these reasons the Association suggests what is sometimes referred to as pay-as-you-go basis. On this basis the proposed wage rate tax or input should be reduced to reflect this change for both the employee and the employer at least during the early years of the Plan.

18. The Association draws attention to the fact that the flat rate Old Age Security benefit is a non-funded plan which is frequently referred to as pay-as-you-go. While the method of financing is different from that proposed in the wage related benefit, the principle of being unfunded is recognized.

19. In earlier public statements the Minister of Health and Welfare has declared in favour of a pay-as-you-go plan although manufacturers have not yet been made aware of the reasons for scrapping this so-called pay-as-you-go approach.

ENTRY AGE

20. For a number of reasons including the benefit formula the entry age of 18 is important. This matter has been the subject of much serious discussion by the Association because of the effect it will have on participation and benefits.

21. While a good case might be made to raise the entry age to 21, this is not being urged at this time. The Association would not object, however, to the entry age being raised to 21.

22. The Association believes young people should be encouraged to continue their schooling, at least up to their natural capacity for learning. For this reason it is suggested that provision be made to exempt persons who are 18 or more years of age but less than 25 years of age who are in full time attendance at a school or university as may be defined by regulation, having been in such attendance substantially without interruption as defined by regulation since they attained 18 years of age.

23. This suggestion will provide some relief to the student who otherwise will have used up most if not all of his 10 per cent exemption for low earning years before he can enter the work force on a regular basis.

YEAR'S BASIC EXEMPTION

24. The Association is aware that the purpose of the exemption is to vary the cost for an individual in relation to earnings. Initially this exemption would be $600 based on 12 per cent of $5,000. This is of real concern to manufacturers for a number of reasons including administrative difficulties it will create. It may also be a source of administrative difficulty for the government.

25. The Association does not have data to identify or support projections, nevertheless it believes that refunds over a period of time will be counted in the millions. In its view the clerical and administrative work involved will be out of proportion to the benefit involved.

26. Section 39 of the Bill appears to contemplate refunds to employers and employees. It certainly is not clear which employer would be credited where an employee changed jobs a number of times during a year.

27. Many people whose earnings are below $600 annually are the very people who need the benefit most.

28. The Association strongly urges the elimination of this $600 exemption. In doing so it requests that the wage rate tax be adjusted downward to reflect fully this change, since the tax would apply against a wider range of earnings. The Association recommends further that for those persons who earn less than $600 in any one year a standard benefit unrelated to contributions be incorporated into the Plan. Specifically, we suggest that such persons should not be exempt from the status of contributors but should contribute on the basis of their actual earnings matched by equal contributions by their employers. We would regard all contributors earning less than $600 per year as belonging to one category which should be entitled to 25 per cent of $600, that is, $150 per year by way of benefits on the present Maximum Pensionable Earnings of $5,000.

ESCALATION

29. The Association recognizes that pension benefits cannot remain at the same level forever, but it does not support precommitted increases based on an index as proposed in Bill C-136. Even with the intended safeguards it will feed on itself since the increased costs will in most cases have to be passed on to the consumer. Furthermore this is bound to raise questions of equity in all other types of pensions including disability, workmen's compensation and private plans. It will impact also on civil servants' pensions and perhaps members of parliament.

30. Experience during the war years with the War Time Cost of Living bonus demonstrated clearly the pressure such automatic increases generate. In that case it was necessary to abandon the principle because of the pressure against prices.

31. The Association believes review periods would be necessary but these might be spaced at reasonable intervals of not less than five years. They should not be dealt with by the government as a matter of political expediency but on the basis of equity consistent with the ability of the economy to cope with the extra costs.

RETIREMENT BEFORE AGE 65

32. While age 65 is generally accepted as the normal retirement age for employed persons there are many instances of retirement prior to age 65. Such early retirements may be prompted by an employee's desire to leave the work force at an earlier age, or a physical inability to meet the demands of his job as he grows older, or in some cases, by what might be termed technical obsolescence.

33. The Canada Pension Plan as presently proposed, occasions a substantial loss of pension benefits to those who retire early. For example, a participant age 45 at the effective date of the Canada Pension Plan has a primary contribution of 20 years. If he leaves the work force at age 60, his productive earnings stop at that point, but his benefits will nevertheless be based on his earnings from age 45 to age 65. The years from age 60 to age 65 when he is no longer working or earning, are included in the calculations which determine his pension benefit. As a result of averaging his actual contributory earnings over an 18 year period (20 years less the 10 per cent provision), rather than a 15 year period, the participant would receive a pension benefit substantially less than would have been the case had he worked until age 65. In addition, of course, the benefit would not commence until five years after his actual retirement, that is age 65.

34. The Association strongly recommends that in addition to the present permissible exclusion of 10 per cent of contribution years, Bill C-136 be amended to provide that a participant who withdraws from the work force prior to age 65, will have his pension computed on the basis of average earnings to the date of such withdrawal.

35. It is further recommended that in the case of early retirement, between age 60 and 65 as defined, the participant be given the option of receiving, immediately upon retirement, the actuarial equivalent of his age 65 pension entitlement including the Old Age Security benefit reduced on a like basis.

POST RETIREMENT EARNINGS

36. The amount of annual earnings permitted without penalty in the benefit at retirement before age 70 is inadequate. It should be remembered all employees will not qualify for the maximum benefit under the Plan. Many such people will need to supplement their pension by earnings from employment.

37. Presumably the main purpose of this limit is to determine at what income level a person is retired for purposes of the Plan.

In the view of the Association this limit should be increased to a more realistic amount. For this purpose it is suggested 25 per cent of the Year's Maximum Pensionable Earnings would be more in line which initially would be $1,250 annually. The same rate of penalty could be applied up to $1,500 and beyond. That is, calculated on the same basis.

INCOME TAXES

38. A number of public statements have been made by representatives of government to the effect that all contributions to the Canada Pension Plan would be exempt from income taxes. This is important and provisions should be made to accommodate this in appropriate acts. The employers' contributions to the Canada Pension Plan should be an allowable business expense over and above present allowable limits.

39. The Association is pleased to see some provision is made to include benefits for widows, orphans, disability and widower's disability. It is suggested that disability benefits should be exempt from income tax as is done in the case of workmen's compensation and insured disability benefits.

CONCLUSION

40. It is not the purpose of the Association to indulge in or present a discourse on economic theory. The Association is, however, aware that honest differences of opinion exist among economists and others concerning the effect of such an important transfer of funds from the private to the public sector of the economy. Differences of opinion also exist with respect to the effect of the large pool of funds to be accumulated if the Plan remains in its present form. These opinions vary from serious consequences to virtually no significant effect. At the one end of the scale there are those who contend it would inhibit capital formation because of diversion of funds. There are those who foresee lowered interest rates which would attract capital expansion and, of course, those who believe the lower interest rates would be less attractive to foreign money which is very much needed for full expansion.

41. The position of the Association is that many of the apparent risks are identified with the rate of accumulating the pool of funds. These risks could be eliminated or at least reduced by a course of action that avoids such a high level of accumulation. In other words "pay-as-you-go".

42. There are more than 2,000,000 people in Canada covered by private pension plans. Many of these are employees of manufacturers. It is natural then, for manufacturers to be concerned with integration of the proposed Canada Pension Plan with existing private plans. This is a complex situation requiring considerable thought and in many cases actuarial advice. Most manufacturers cannot afford to pyramid Canada Pension Plan benefits on top of existing private plan benefits. Indeed there is considerable doubt the economy could at this time stand such a course of action if generally practiced.

43. The White Paper concerning the Canada Pension Plan indicates clearly there will be problems of integration. The government wisely has provided for freedom of action in this respect. This freedom is essential and must be retained in whatever form the Canada Pension Plan is finally enacted.

44. The Canada Pension Plan, whatever its final form, will have an important effect on the lives of individual citizens, of employees, employers and the economy as a whole. It is complex. It involves substantial sums of money. It will take quite some time for it to be absorbed into a way of life. For these and related reasons the Association strongly urges that consideration of other social welfare schemes be delayed to a more appropriate time.

SUMMARY

45. The main suggestions and recommendations of the Association's submission are set out below.

(1) Further consideration and negotiations be undertaken to achieve a single plan for all provinces, such plan to be centrally administered. (vide paras. 9, 10; page 3)

(2) The high level of advance funding of the Plan be substantially reduced to provide only such funds as will meet the requirements of current pension benefits, together with a modest stabilization fund for emergencies and contingencies. (vide paras. 12, 13, 15, 16, 17, 18, 19, 41; pages 3-5, 11)

(3) Exempt students as defined. (vide paras. 20, 21, 22, 23; pages 5, 6)

(4) Eliminate the Year's Basic Exemption which initially would be $600 and have first dollar coverage relying on the minimum entry age to take care of young workers. (vide paras. 24, 25, 26, 27, 28; pages 6, 7)

(5) Eliminate escalation on pre-committed increases and substitute a review period of five or more years. (vide paras. 29, 30, 31; page 8)

(6) Change the benefit formula to avoid penalizing early retirement which results from years of zero or low earnings. (vide paras. 32, 33, 34; pages 8, 9)

(7) Permit optional retirement from age 60 with actuarial modifications in benefits. (vide para. 35; page 9)

(8) Raise the level of permitted post-retirement earnings without penalty of reducing benefit entitlement. (vide paras. 36, 37; page 10)

(9) Provide for both employee and employer contributions being exempt from income tax over and above present exemptions. (vide para. 38; page 10)

(10) Provide for disability benefits being exempt from income tax. (vide para. 39; page 11)

APPENDIX A26

SUBMISSION OF ALEXANDER & ALEXANDER SERVICES LIMITED INDEPENDENT CONSULTING ACTUARIES

(January, 1965)

Alexander & Alexander Services Limited, which is one of Canada's leading firms of independent consulting actuaries, does not represent the interest of insurance companies, trust companies nor any financial institution. Our clients include the largest industrial concerns in Canada, together with authorities representing different levels of government, universities, school boards, etc. The following Brief is submitted to assist the Joint Committee in its efforts to discern and eliminate, or minimize, problems that may be created by the form of Canada Pension Plan established under Bill C-136. We hope thereby to provide material that will ultimately act to the benefit of our clients and their employees.

We also recognize that, as professional actuaries, we have a duty to the community as a whole to protect the future against the possible ravages of the present. We recognize that the C.P.P., once established, will most probably represent a permanent feature in our economy and therefore we feel it merits very critical examination at this stage.

Perhaps this Brief can be most helpful to the Joint Committee if we start by setting out certain difficulties that the C.P.P. could cause and follow this with suggestions of a practical and constructive nature as to possible means of avoiding these difficulties. It is fully appreciated that any proposed solution should not detrimentally affect the ultimate purpose of the plan.

As the Joint Committee may be aware, a very able Inter-Departmental Study of the Quebec Pension Plan was published in April, 1964. The Study was conducted by members of the Quebec Government Departments of Labour, Industry and Commerce, Finance and National Resources. The Quebec Government's Consulting Actuaries also assisted in the preparation of the Study. It related to the plan before it was modified later that month in agreement with the Federal Government. Re-reading this Study reminds one of the fact that the present C.P.P. and the present Quebec Plan, are very similar indeed to that proposed by Quebec prior to April, 1964. However certain changes were made and we respectfully suggest that at least one of these changes has created or magnified the difficulties we are about to draw to your attention. We shall refer to this Study again.

We first set out a very brief description of each of the eleven difficulties we wish to draw to your attention. This is followed by a reasonably full explanation of each difficulty together with a solution, partial or otherwise, that we respectfully submit for your consideration.

Description of Difficulties

1. Inherent instabilities associated with funding system.
2. Rising ultimate pay-as-you-go cost plus the continuing cost of Old Age Security Pensions.
3. Too great an advantage to participants in the higher income brackets by reason of the redistribution of income effected in their favour.
4. Difficulty of preventing a certain number of individuals who have contributed to private retirement plans receiving a total retirement income higher than their terminal salary.
5. Certain difficulties in connection with integration with private plans.

6. Contributions by self-employed a problem when the pay-as-you-go rates increase in the future.
7. Further integration difficulties when contributions are on a pay-as-you-go basis.
8. Overall government benefits payable in Canada effectively in excess of those payable in the United States in 10 years' time.
9. Plan out of line with certain features that have been tested and proved by other countries.
10. Features of Plan that were the subject of unfavourable comment in the Report of the Royal Commission on Banking and Finance published in 1964.
11. Difficulties in the area of Union-Management negotiations likely to be caused by Plan.

We should point out that it is reasonably certain that most of the above difficulties will arise although there are some that are a matter of opinion and, at this stage, it is not possible to make a categorial statement as to whether or not they will have full effect. However, since each and every one of these difficulties *could* arise, we feel they should be drawn to your attention.

The first of the above difficulties relates to a somewhat technical matter. In order to explain this as clearly as possible the description covers several sheets. Later descriptions are very much shorter, but we would recommend that the first description be given special attention. It contains certain elements that have a bearing on later parts of the Brief.

1. *Inherent instabilities associated with funding system.*

Lest it be thought from this description that we are in any way critical of the Report submitted to you by the Chief Actuary of the Department of Insurance, Mr. E. E. Clarke, we would take this opportunity to record that we consider this Report to be representative of the highest standards of professional actuarial work. It compares extremely favourably with the best Reports made in connection with Social Security plans in other countries.

Mr. Clarke's Report does not deal with difficulties that might arise out of the Plan. However he covers fully the area assigned to him and provides valuable figures relating to the actuarial operation of the C.P.P. in future. His valuation was designed mainly to develop pay-as-you-go contribution rates and not to draw conclusions from the results. For our part, the conclusions we have reached are partly derived from the Report so that, in effect, we have endeavoured to take the matter a stage farther forward.

We would first explain briefly the meaning of certain funding (or financing) systems.

(i) *Pay-as-you-go system*

Contributions collected during a comparatively short period are used for payment of benefits becoming due during that same period. Any reserve is small and its only purpose is to avoid fluctuations in the expected contribution rates.

Under this system the contribution rate increases gradually due to the rising percentage of retired persons who become entitled to the full pension. This increase will also be continued if there should prove to be a gradual long-term increase in the proportion that the number of persons over retirement age bears to the working population.

(ii) *Full reserve system*

This system involves the accumulation of large reserves sufficient to guarantee continued payment of current pensions together with de-

ferred pensions earned to date by those still contributing. It is employed in the case of private plans where continuing membership is not guaranteed. Typically a level rate of contribution, expressed as a percentage of earnings, is required together with extra initial contributions where the original members are granted pensions for prior services. No government (not even Sweden) uses the full reserve system.

(iii) *Mixed system*

Any system between the pay-as-you-go and the full reserve systems is a mixed system. Generally, the mixed system may be considered to be composed of a pay-as-you-go system to which is added a reserve created by the balance of contributions which have not been used for payment of benefits.

(*a*) *Mixed system designed for early conversion to pay-as-you-go*

The second edition of the C.P.P. (as announced March 17, 1964) was an example of this. The plan would have been over-financed as compared with a pay-as-you-go plan for some 10 years and thereafter would have reverted to the pay-as-you-go system.

(*b*) *Mixed system designed for later conversion to pay-as-you-go*

The present (third) edition of the C.P.P. adopts this form of mixed system. The conversion to pay-as-you-go would seem to be likely after some 15 to 25 years depending upon government action in the meantime.

(*c*) *Mixed system designed to produce level contribution rate*

In the case of a community with a stable age distribution where prices and wage levels and interest rates are also stable, this system would call for a contribution rate equal to the sum of the level contribution for a new entrant into the plan at the youngest age plus interest on an item we may describe as "initial unfunded liability". (This effectively means the liability for those who are in the plan at its inception to the extent that the new entrant's level contribution rate is insufficient for this group).

These conditions are not likely to apply in Canada. The population is growing, the age distribution is changing, prices are unfortunately rising—but so, to a greater extent, are wages. Nevertheless it is still possible to determine a contribution rate that will take these factors into account and will enable a Mixed System to be adopted that has been designed to produce a level contribution rate for 30, 40 or more years into the future.

The Quebec plan, prior to the April, 1964 change, was essentially based on such a system and the validity of the basis and actuarial calculations was tested to ensure the contribution rate would remain level, on reasonable forecast assumptions, for at least 50 years.

Let us now compare (iii)(*b*) with (iii)(*c*). We wish to draw to your attention that the "Mixed System designed for later conversion to pay-as-you-go" places great responsibility on future governments. And here we refer not only to future federal governments but also to each and every future provincial government. As has already been explained to the Joint Committee by Mr. Thorson, a province setting up its own plan initially is required to provide comparable benefits *but not necessarily comparable contributions nor investment administration.* Furthermore it has also been made clear that such a province could thereafter deviate from the federal plan even as regards benefits; it could do this at the expense only of the possible withdrawal from certain agreements with the federal government relating to the refunding of

overpayment of contributions, the sharing of costs of benefits in certain cases and items of a similar nature.

However the main point is that provinces who set up their own plans may change contribution rates, and, of course, the federal government may change contribution rates subject to the required period of notice and required provincial agreement. Indeed this is to be expected in the very nature of the funding system adopted. Unfortunately this form of Mixed System in itself sets no guide lines and imposes no discipline on the authorities. Under the pay-as-you-go system the contribution rate is fixed by the system. Under the Mixed System designed to produce level contribution rates (the original Quebec system) the very nature of the system will tend to compel future governments to adhere to the guide lines initially established. But under the present C.P.P.'s form of Mixed Funding it is not possible to define what contribution rates apply after, say, 10 or 15 years nor when the system will be converted to the rising pay-as-you-go system. The Chief Actuary in his report has wisely avoided making recommendations in this respect. The matter is essentially a political question.

Perhaps we should look to other countries to find out how this problem has been faced. Unfortunately no other country has, so far as we have been able to determine, ever adopted this particular form of mixed funding (i.e. designed for *later* conversion to pay-as-you-go). The U.S. system was of the type designed for early conversion to pay-as-you-go and the Swedish system is, according to Professor Lundberg[1] funded as to "an arbitrary part of it. It has no actuarial thinking behind it at all. It is just (funded as to) the part we thought sufficient for compensating potential loss of savings."

In any event one would suppose that a *socialist* government as is found in Sweden would be willing to keep pensions and contributions more in the hands of future politicians than the Canadian government—especially when it is remembered that both federal and provincial governments are concerned in Canada.

Accordingly we present as a difficulty, the fact that there are inherent instabilities associated with the funding system. The operations of the plan will be very dependent on future actions of future governments. The matter could be a recurring election issue both at the Federal and Provincial government levels. To take the matter further, we could consider the case of one of the provinces whose needs for investment in government projects do not require the fund created by the C.P.P. Such a province might consider establishing its own plan with comparable benefits but funded *throughout on a* pay-as-you-go basis. For many years into the future—and probably indefinitely—the members of that province would have made lower contributions to the provincial plan than other Canadians had made to the C.P.P.

Perhaps we should also point out that the very existence of the arbitrary fund under the proposed form of Mixed System, the existence of which is not essential to the working of the plan nor to the continuation of the loosely defined progress of future contributions, may in itself represent a danger. Consider the temptation to future election candidates to promise immediate benefit improvements "at no additional cost" once it is realized that the effect on contribution rates would be felt only after several years.

Recommended Solution

(i) Tests indicated that the restoration of the original transition period of 20 years, which was a vital part of the original Quebec plan, will effectively alter the funding system of the C.P.P. to the "Mixed System designed to produce a level contribution rate". The danger of

[1] Professor Erik Lundberg, who assisted in the establishment of the Swedish plan, made this statement in evidence before the Porter Commission.

the above mentioned difficulties arising would then be much less. The plan would be known to be one requiring a level contribution and action by future governments would have to be along well defined lines if this important feature of the plan was to be preserved.

(ii) To make the matter of the future operation of the plan even more secure, a system could then be developed that will permit contracting out by Employers providing equivalent or better benefits. This would provide a further stabilizing effect on the plan.

Both these solutions will be discussed in greater detail later in this Brief.

2. *Rising ultimate pay-as-you-go cost plus the continuing cost of Old Age Security pensions*

The Quebec Study mentioned above examines the effect of reducing their original 20 year transition period to a 10 year period. They came to the conclusion that a 10 year transition period "burdens future generations with a disproportionate portion of the cost of this project".

An examination of the Actuarial Report dated November 6, 1964 of the Chief Actuary provides what we consider to be a very reasonable estimate of the range within which the ultimate pay-as-you-go costs may lie. In the absence of any ground rules being laid down as to when the conversion to pay-as-you-go will take place, at this stage it is not possible to do more than observe that the pay-as-you-go rates are likely to have to apply at some future date, and that when they do we are likely to be faced with a period of rising pension plan costs.

The extra costs will fall on future generations and one wonders whether the difference in pensions payable under the C.P.P. to those now between ages 45 and 65 justifies this extra burden on future generations.

Recommended Solution

Again it would appear that a reversion to the original 20 year maturity period as proposed under the Quebec plan would help considerably in removing this difficulty. The far greater likelihood that contributions under the C.P.P. will remain constant into the future would bring about, in our opinion, a better compromise between some degree of supplementation for those close to retirement on the one hand and fair treatment for future generations on the other.

Note: We have carried out some approximate calculations to determine the percentage of earnings represented by payments of *the Old Age Security pension.* We have expressed the cost of the O.A.S. pension as a percentage of contributory earnings as defined under the C.P.P. We find that this cost represents approximately 7% of contributory earnings rising ultimately to possibly 10% of contributory earnings. These costs are *in addition* to the contributions required under the C.P.P. and are based on the assumption that the O.A.S. pension will not be increased in future apart from increases due to the effect of the pension index. These approximate percentages become 5½% and 7½% respectively when related to *all* earnings up to the contributory earnings' upper limit (but excluding persons earning under the contributory earnings' lower limit).

3. *Too great an advantage to participants in the higher income brackets by reason of the redistribution of income effected in their favour*

Let us assume that two participants, A & B both aged 55 on January 1, 1966, contribute continuously to the C.P.P. from that date to the commencement of their retirement pension on their 65th birthday. The income of contributor

A is $2,000 per annum and that of contributor B is $5,000. We have assumed that both are single men, although, in fact, the redistribution effect is greater in the case of married men.

The following table shows the effective redistribution of resources as between the lower paid and higher paid examples.

Contributor	Yearly income	Contributory income	Yearly contribution	Amount of yearly pension	Value at age 65		Redistribution of resources
					Contribution	Benefit	
	$	$	$	$	$	$	$
A	2,000	1,400	25.20	500	308	5,045	4,737
B	5,000	4,400	79.20	1,250	970	12,612	11,642

The table shows that in the case of contributor A the value at age 65 of the retirement pension exceeds the value of his contributions by $4,737. In the case of the higher paid contributor B, the redistribution is no less than $11,642.

This feature was strongly criticized by the Committee responsible for the above mentioned Study and we must agree that it would seem desirable to avoid, if possible, any feature of the plan that appears to provide most where it is least needed.

Recommended Solution

The solution to this difficulty proposed by the Committee mentioned above was that the transition period under the plan should be at least 20 years. We have examined this and find that, in terms of dollars, the longer transition period does reduce the difference between these two cases considerably. The results of our calculations for a single man are shown below.

Contributor	Yearly income	Contributory income	Yearly contribution	Amount of yearly pension	Value at age 65		Redistribution of resources
					Contribution	Benefit	
	$	$	$	$	$	$	$
A	2,000	1,400	25.20	250	308	2,522	2,214
B	5,000	4,400	79.20	625	970	6,306	5,336

4. *Difficulty of preventing a certain number of individuals who have contributed to private retirement plans receiving a total income higher than their terminal salary*

In order to illustrate this difficulty perhaps we may take as an example the case of the Public Service Superannuation Act pensions. Pension plans of this design are found not only in the case of both federal and provincial civil servants but also schoolteachers, certain universities and, to a lesser extent, in industry.

Whatever form integration may take in the case of these plans, we understand that it will almost universally be provided that pension credits already earned on service up to the commencement of the C.P.P. would not be affected. The example we give below is based on an example contained in the Quebec Study mentioned earlier.

Let us assume the employee in question has completed 35 years of service and is 55 years of age on the effective date of the C.P.P. Let us assume his salary at that time is $5,000 per annum and let us assume that both his salary and the contributory earnings upper limit of the C.P.P. remain constant for 10 years.

Let us also assume that the Old Age Security pension remains unchanged during that period except that he will be able to receive it in the form of $51 per month (or $612 per annum) commencing at age 65.

The employee in question will receive, at age 65, a total retirement income of $5,362 per annum, i.e.

(*a*) The anticipated Old Age Security pension of $612 per annum: and
(*b*) a pension of $3,500 per annum from the P.S.S. account: and
(*c*) a pension of $1,250 per annum from the C.P.P. (25% of his adjusted income).

The Committee carrying out the Quebec study expressed the opinion that such situations should be avoided, especially since the amount of contributions paid by and on behalf of such a worker to the government plan would be much less than his benefits. We agree with this opinion.

Recommended Solution

If the transition period is restored to 20 years, as provided under the original Quebec plan, then the above employee's total retirement income becomes $4,737. Although this is still at a very high level in relation to the employee's earnings, it is less than in the case where a 10 year transition period applies.

5. *Certain difficulties in connection with integration with private plans*

It is recognized that the federal government has no jurisdiction over private plans and that government control of these is in the hands of the provincial governments. It has been maintained that private plans represent contractual obligations and are therefore purely matters to be settled between employers and employees. Nevertheless we would be surprised if the provincial government's legislative powers in this respect were not fully as effective as the corresponding powers of the United States federal authorities over pension plans in that country.

We feel we should point out that in the United States the question of integrating private plans with the government plan receives a great deal of direction from the government and we believe members of the Joint Committee will be surprised to learn that it is an extremely complicated matter in the case of some private plans in the United States to comply with the regulations of the government of that country. A very involved set of formulae have been devised by which the federal authorities test whether or not they will accept any particular form of integration and this takes into account even such apparently unrelated items as the exact form of early retirement benefit granted and the percentage that disability pensions bear to regular pensions.

We mention the above in order to draw attention to the fact that, whatever attitude the government may at present take in the question of integration, future governments may formulate their directive policy along similar lines to that now applying in the United States. Before many years we may find that in Canada either the federal or provincial governments are directing the form of integration as applies today in the United States.

Nevertheless, at the present time, the federal government disclaims any responsibility for providing guidance or direction in the field of integration. We accept this fact but we urge the government to recognize that integration of private plans with the C.P.P. is necessary in most cases, and to consider ways in which the problems of integration may be eased.

Our firms was represented on the Special Committee established by the Canadian Association of Actuaries to study the question of integrating private plans with the C.P.P. and it was the consensus of opinion of the members of that committee that one of the main problems of achieving satisfactory integration centred around the 10 year transition period contained in the C.P.P.

The difficulty created by the 10 year transition period caused not only problems demonstrated above in connection with the Public Service Superannuation plan, but also in connection with the integration for pensions earned in the future.

Let us consider the case of an employee now aged 55 earning $5,000 per annum or less, who in 10 years would be granted a pension under the C.P.P. of 25% of earnings. The benefit he would earn for each year in the future under the C.P.P. amounts to an annual rate of no less than 2½% for each year of future service. There are relatively few, if any, private pension plans that provide so high a level of pension for each year of service so that, in many cases, these employees may be taken out of the private plan as regards future pension credits.

Recommended Solution

Again, the restoration of the original 20 year transition period as applied under the former Quebec plan would avoid this difficulty. Other difficulties of integration will remain but a change to a 20 year transition period would represent a constructive modification of the C.P.P. that would ease the difficulties of integration considerably.

6. *Contributions by self-employed a problem when the pay-as-you-go rates increase in the future*

Under the C.P.P. self-employed persons will be required to pay the combined contribution normally paid by the employee and employer. This would seem to represent a reasonable arrangement while the contribution rate remains at its initial level, but difficulties may result if this principle continues to apply when contributions revert to the pay-as-you-go basis.

Under an earlier form of the C.P.P. this difficulty was realised and provision was made for self-employed persons ultimately to pay at a lower rate than the combined employer and employee rate. So far as we are aware no reference to this feature has been made with regard to the present edition of the C.P.P. In any event we would point out that it may not prove satisfactory to meet this difficulty by lowering the rate of total contributions to be received in respect of self-employed persons as compared with employed persons. The latter would effectively be subsidizing the former and this may cause objections to be raised.

Recommended Solution

Again, the restoration of the original 20 year transition period as contained in the original Quebec plan would effectively remove this difficulty. For a very long time into the future the combined employer and employee contribution would remain level and would represent a fair contribution to be required from the self-employed.

7. *Further integration difficulties when contributions are on a pay-as-you-go basis*

Under the Public Service Superannuation Act we understand that the contributions will be reduced by the amount of the contributions diverted to be paid under the C.P.P. it has therefore quite rightly been claimed that contributions have been effectively integrated.

Bearing in mind that under the present form of C.P.P., contributions will be altered, at a later date, to those calculated on the pay-as-you-go basis, we suggest that some difficulty may arise thereafter in the effective integration of contributions.

The need for the most complete integration between the C.P.P. and private plans is increased by reason of the great difficulties that now exist when an at-

tempt is made to integrate the Old Age Security pension and contributions with private plans. We would advise the Joint Committee that this is rarely done in private plans in Canada although, with the increasing size of the benefits payable under O.A.S., it is perhaps becoming urgent that means of integration be found.

The difficulty in the case of the O.A.S. pension contributions (when considered in relation to a private plan requiring employee contributions) is centred around the manner in which employees are required to contribute to the O.A.S. pension. The rate of contribution is at the present time 4% of the first $3,000 of *taxable* income. In other words contributions are made on a different basis from that applicable under either private plans or the C.P.P.

So far as we have been able to determine, there is at present no intention to endeavour to integrate the O.A.S. pension and contributions with the Public Service Superannuation plan. We can certainly sympathize with those who may have considered such an integration but abandoned it. Furthermore we agree with the views expressed by the Committee preparing the Study mentioned earlier in relation to the Quebec plan, when they state in relation to the O.A.S. pension that "the existence of this measure hampers the drawing up of a completely unified general plan in Quebec".

Recommended Solution

The satisfactory integration of contributions, so far as the C.P.P. is concerned along the lines suggested in relation to the P.S.S. plan, will be possible if the original 20 year transition period, as applied under the former Quebec plan, is restored. The far greater likelihood that contributions will remain constant into the future would largely avoid the difficulty in this connection.

8. *Overall government benefits payable in Canada effectively in excess of those payable in the United States in 10 years' time*

We can best explain this point if we take into account the possible increase that may shortly occur in payments under the American programme. We may then reasonably make comparisons of the position in Canada and the United States in 10 years time on the assumption that wages and costs will remain stable in the meantime. If in fact these do increase they will tend to affect the plans in both countries to a similar extent. Thus the comparisons made below will still be valid.

We have recognized the fact that the average retirement age in the United States has varied between 68.0 and 69.5 and have made our comparison assuming retirement at age 68. We have assumed that the wife will be 2 years younger than the husband.

The following table shows the maximum rate of monthly government pension payable under these conditions to a single man and to a man and his wife in both countries. (A single woman receives lower benefits in U.S.A. but not in Canada.)

		Single Man	Husband & Wife	
U.S.A.	Increased Social Security now impending	$ 143.40	$ 215.10	
Canada	C.P.P. pension in 10 years (assuming 10 year transition period)	104.17	104.17	
	O.A.S. pension (man age 68, wife age 66)	65.40	Husband Wife	65.40 55.80
	Total government pension:	$ 169.57	$ 225.37	

Recommended Solution

Again, the restoration of the original 20 year transition period would correct the above as the following figures show:

	Single Man	Husband & Wife
Canada C.P.P. benefits in 10 years (20 year transition)	$52.08	$52.08
O.A.S. pension (man age 68, wife age 66)	65.40	Husband 65.40
		Wife 55.80
Total government pension:	$117.48	$173.28

The above amounts payable under the Canadian government plans amount to 82% (single man) and 81% (husband and wife) of the corresponding pensions payable in U.S.A. It is understood that average wages in Canada are not as high as 81% of average wages in U.S.A. The relationship would seem to be satisfactory and pensions payable in Canada for some time could not be held to be exceedingly high in comparison with corresponding pensions in U.S.A., provided a 20 year transition period is adopted.

It should be noted that the U.S. Social Security pensions in course of payment are not automatically increased by a pension index as applies under the C.P.P. This feature of the C.P.P. adds 10% or 15% to the value of the pensions it provides.

9. *Plan out of line with certain features that have been tested and proved by other countries.*

In the time available we have endeavoured to carry out a reliable study of plans in certain European countries with particular reference to the transition period adopted.

We believe it is correct to say that full benefits under the state wage-related plan is granted only after the years shown below.

Country	*Transition period*
France	30 years
Great Britain	45 years
Italy	40 years
Luxemburg	40 years
Netherlands	50 years
Sweden	20 years
West Germany	45 years

It should be remembered that many of the above countries were relatively poorly served by private pension plans as compared with Canada. Some had no universal old age pension in force when the state plan was introduced and yet the shortest transition period is 20 years.

We should remember that it has been stated on good authority that "average benefits under private pension plans in Canada exceed those of any other country."[1] Taking all the circumstances of Canada into account it would certainly seem that the C.P.P. is out of line with the plans of many other countries in regard to the proposed transition period of 10 years, and on these grounds alone the matter may require further thought.

(1) "Pension Plans in Canada" (Laurence E. Coward) page 91. The author of this particular article was Mr. A. R. Hicks, Vice-President & Secretary of the Sun Life Assurance Co. of Canada.

As regards the United States social security plan, it must be admitted that it is possible for full transition to take place in 10 years. However, when the United States plan was introduced there did not exist anything comparable to our O.A.S. plan in that country. Furthermore private plans were then relatively uncommon in the United States.

Recommended Solution

The adoption of a 20 year transition period in the case of the C.P.P. would be completely reasonable in the light of the policy adopted by other countries.

10. *Features of Plan that were the subject of unfavourable comment in the Report of the Royal Commission on Banking and Finance published in 1964*

In this Report it is stated "it is in fact almost certain that the financing of a national pension scheme with relatively high benefit levels would result in a substantial reduction in the funds available for investment in the mortgages, bonds and equities which the savings institutions acquire. A change of this type in resource allocation in the economy and our financial arrangements, might well take us into a new situation in which the experience of past market developments would have only limited relevance... It might well lead to increased reliance on investment by non-residents... An adequate level of investment might place too heavy a demand on the economy's physical resources and intensify the difficulties of combatting inflation".

Elsewhere in the report it is stated "there is also a limit to the amount of supplementary private saving that one can expect if contributions to a national scheme, whatever form it takes, absorb a substantial part of the current income people are willing or able to devote to providing for the future: in such circumstances there is every reason to expect a sharp decline in other forms of saving." It should be remembered that the above remarks were written in relation to the second edition of the Canada Pension Plan, so that the report does not deal with the economic implications resulting from provincial governments having a captive source of finance, possibly at favourable rates, which we understand some economists feel may incline them to spend very much more freely than in actual fact they have in the past. It is felt by some that the availability of funds is an open invitation to their expenditure.

Suffice it to say that some doubts have been raised by economists as to the wisdom of government having control of such a large fund.

Recommended Solution

The only solution we can propose to possible difficulties in this connection is along the following lines.

In spite of the apparently contradictory effect we would again urge that the transition period be extended from 10 to 20 years. Without this the effective part of the proposed solution could not be applied.

Having now established a plan operating effectively on a level contribution for a very long period of years, it would be practical to adopt the same approach as that employed by the British government in 1960.

As is well known to the Joint Committee the British government decided to permit employees to contract out of the wage-related part of their national pension plan. It is interesting to note that the British Labour Party supported the Conservatives in this view.

It is fully realized that contracting out by employers might not be permitted in some provinces but it is felt that provincial governments should be free to make up their own minds in this respect. It is believed that there are certain provinces where the raising of additional capital is of lesser importance than in others, and that these provinces might wish to extend the privilege of contracting out, at any rate, to certain of the larger employers in their area.

Plans for provincial civil servants, schoolteachers and universities immediately come to mind. However the matter could be extended further to include large corporations.

Further points in connection with contracting out are included in Appendix III.

11. *Difficulties in the area of Union-Management negotiations likely to be caused by Plan.*

The additional costs to be borne by industry may be considerable when the government plan is considered alongside the form of private plan now being demanded by union. This situation is aggravated by the extra costs imposed by the regulations of the Ontario government. Coupling all this with the potential costs that may arise through a Medicare programme makes it a most regrettable fact that there seems to be so little acceptance amongst the trade union movement of a need to integrate the government plan with any private plan achieved through negotiations.

Recommended Solution

As has been suggested earlier, if the transition period under the C.P.P. reverts to 20 years as under the original Quebec plan, it would seem to be possible to make provision for employers to contract out of the C.P.P. in the same manner as was permitted recently in Great Britain. It is suggested that whether or not an employer does contract out of the C.P.P., the mere fact that he has the right to do so should be sufficient to avoid the C.P.P. causing management costly and far-reaching disadvantages in union bargaining. The C.P.P. benefits would then be regarded, in a sense, as a substitution for a part of the employer's plan and unnecessary duplication of benefits would thereby be prevented.

CONCLUSION

It will be seen that the eleven difficulties mentioned by us can be eliminated or, at least, reduced to more reasonable proportions if

(i) *The transition period is extended to at least 20 years,* and if possible,

(ii) provision is made for contracting out by individual employers where this does not conflict with the policy of the province concerned.

(i) *A transition period of at least 20 years* will remove or reduce the following difficulties:

1. Inherent instabilities associated with funding system.
2. Rising ultimate pas-as-you-go cost plus the continuing cost of Old Age Security pensions.
3. Too great an advantage to participants in the higher income brackets by reason of the redistribution of income effected in their favour.
4. Difficulty of preventing a certain number of individuals who have contributed to private retirement plans receiving a total retirement income higher than their terminal salary.
5. Certain difficulties in connection with integration with private plans.
6. Contributions by self-employed a problem when the pay-as-you-go rates increase in the future.
7. Further integration difficulties when contributions are on a pay-as-you-go basis.
8. Overall governments benefits payable in Canada effectively in excess of those payable in the United States in 10 years' time.
9. Plan out of line with certain features that have been tested and proved by other countries.

11. Difficulties in the area of Union-Management negotiations likely to be caused by Plan.

(ii) *Provision made by contracting out by individual employers* will remove or reduce the following difficulties:

1. Inherent instabilities associated with funding system.
4. Difficulty of preventing a certain number of individuals who have contributed to private retirement plans receiving a total retirement income higher than their terminal salary.
5. Certain difficulties in connection with integration with private plans.
10. Features of Plan that were the subject of unfavourable comment in the Report of the Royal Commission on Banking and Finance published in 1964.
11. Difficulties in the area of Union-Management negotiations likely to be caused by Plan.

It should be noted that it will be necessary to extend the transition period to at least 20 years if contracting out is to be permitted.

APPENDIX I

PRIVATE PLAN COVERAGE IN CANADA

With reference to the statement that we hear so often that "only 30% of the Canadian population is covered by private pension plans" we feel that Canada is being all too modest in describing its achievements in the field of private plans in this manner.

In 1960 the 9,600 pension plans then in operation in Canada had a total membership of 1,815,000, representing 34% of the non-agricultural labour force. However a further 16% of the labour force worked for companies who had set up pension plans but had not attained plan membership. Many of these had not completed the necessary years of service nor attained the necessary minimum age in order to join their employer's plan.

Since 1960 the number of pension plans in Canada has increased from 9,600 to a 1963 figure of 12,000 (the present figure is no doubt higher again). It therefore seems probable that, at the present time, approximately 60% of the non-agricultural labour force are employed by employers who have set up pension plans for their employees. It must be stressed that not all are, as yet, members of their employer's plan, but most of those at present excluded will be able to join and derive a pension eventually.

Portability of pensions in private plans has, in the past, left something to be desired but provincial legislation is being introduced that will correct this. The Ontario Government's recent Pension Benefits Act represents a start in this direction and other provinces may follow their lead.

We feel that it will be most helpful to the Joint Committee if they were able to determine the proportion of the labour force covered by pensions plans in different are groups. They might well find that a relatively high proportion of those covered are no wage 35 to 55. This would indicate that employees who will benefit mainly from the Canada Pension Plan are those who are most adequately covered by private plans.

In order to provide some further indication of the statistics relating to private plans we have taken the liberty of reproducing below a statement provided by the Pension Commission of Ontario as at September, 1963. When reading the following figures (or the figures given above for that matter) it should be noted that cases providing for pensions through the medium of individual Registered Retirement Savings Plan have *not* been included. Nor have figures relating to other individual pension contracts with insurance companies and the Government Annuities Branch been included.

Pension Plan Coverage in Ontario

The Pension Commission of Ontario reports that 44% of the paid workers in the Ontario labour force are members of pension plans.

A preliminary survey of 7,518 pension plans covering workers in Ontario shows that there are 925,000 pension plan members and that 1,333,000 employees are working for employers who have a pension plan or plans in effect.

This survey is based on Information Returns filed by employers under The Pension Benefits Act which relate to the pension plan coverage on September 1, 1963. Membership of the pension plans of the federal government and its agencies is included through the courtesy of federal officials in supplying similar information. Care has been taken to remove duplication where an employer operates more than one pension plan for his employees.

The above figures should be related to the number of paid workers in the Ontario labour force plus the number in the Armed Forces in Ontario, that is, to 2,104,000.

In Ontario, therefore, 63% of paid workers were employed by employers who had a pension plan in operation and 44% were members of these pension plans. The latter figure compares with 34% coverage for all Canada in the year *1960* as shown in the Dominion Bureau of Statistics survey of "Pension Plans Non-Financial Statistics".

Considering male employees only, it is found that almost half are members of private pension plans.

Pension plan coverage in Ontario—September 1963
(number of persons in thousands)

	Males	Females	Total
(1) Working for employers with pension plans in effect	958	375	1,333
(2) Members of pension plans	713	212	925
(3) Labour force September 21, 1963 (including unemployed, self-employed, etc.)	1,738	731	2,469
(4) Paid workers in labour force plus Armed Forces	1,456	648	2,104
Ratio (1) to (4)	66%	58%	63%
Ratio (2) to (4)	49%	33%	44%

APPENDIX II

FURTHER POINTS RELATING TO THE EXTENSION OF THE TRANSITION PERIOD OF THE CANADA PENSION PLAN TO AT LEAST 20 YEARS

(*a*) The Governments of both Ontario and Quebec have, on past occasions expressed their preference for transition periods of at least 20 years. (In the case of Ontario, Premier Robarts has stated this preference. In the case of Quebec, a 20 year transition period was an important feature in their original plan, essential to the sound actuarial design incorporated into it.)

(*b*) Without wishing to appear disrespectful and based only on a sincere desire to make this Brief as practically constructive as possible, we quote below a part of the statement made to the Joint Committee on November 25 by the Minister of Health and Welfare, the Honourable Judy LaMarsh.

> The original Quebec pension plan was to take 20 years to mature. You may well hear briefs from interested individuals who suggest that 10 years is too fast to bring in full benefit. However, this is the original transition period in the Canada pension plan which is retained. The obvious philosophy is that it should be made available to as many people as quickly as possible, and we should not forget, I think, that extending this to 20 years or longer would mean that we would deprive our veterans of any opportunity to contribute and to fully benefit from the plan.

As the Minister says the transition period of the Quebec plan was 20 years, originally providing proportionate benefits for those who contributed for a shorter period. Even had it been a longer period, as applies to so many overseas plans, all would have been assured of full benefits at least in proportion to their contributions. This applies under the plan in Great Britain, for example, even though it can be said of that plan that "it takes 45 years to mature".

We would point out that the adoption of a 20 year transition period will still make benefits available to as many people as possible, as quickly as possible—at least in the case of persons under age 65 (as the Joint Committee is no doubt aware the plan makes no provision for persons over age 65 at the present time).

We submit that the example appearing on page 23 of this Brief provides sufficient evidence that the 20 year maturity period will still provide, in 10 years, a combined pension from the C.P.P. and the O.A.S. that is relatively at as high a level as in the U.S.A. taking wage differences into account.

In point of fact, while many will agree that the level of benefits to persons now aged 55 is of importance, nevertheless there may be a feeling that this represents a section of the population where private plans and registered retirement savings plans are granting benefits of a substantial order. In contrast, the provision of pensions from private plans to veterans now aged 75, 80 or older is very much less adequate.

We submit that the adoption of a 20 year transition period will still enable as many as possible to contribute to the plan and all to receive a benefit from the plan that is reasonable by any standard in relation to their contributions.

APPENDIX III

NOTES REGARDING CONTRACTING OUT

With reference to the suggestion that provision be made for individual employers to contract out, we must admit to the Joint Committee that this may create certain problems. At the same time considerable advantages will result that merit a very close study of the matter being made.

The establishment of a 20 year transition period would, in our opinion, be an essential prerequisite in order to make contracting out feasible.

It is interesting to note that the proportion of private plans in Britain is approximately the same as that now applicable in Canada. Furthermore in both Canada and Britain there is a basic Old Age Pension serving as a foundation for the wage-related plan, a feature which makes Canada's sitution very similar to that of Britain. It was not possible to contract out of the basic plan in Britain, nor is it proposed that employers should be permitted to contract out of Canada's basic O.A.S. plan.

The following is a quotation from a British Government White Paper of October, 1958:

> The Government are concerned that changes in the field of National Insurance should be so framed as not to prevent the vigorous development of independent provision for old age, whether through occupational schemes or otherwise. Here the Government have in mind not only the rights of members of existing schemes, but the future possibilities of development in this field. Moreover, such schemes constitute an important channel of the nation's savings and so provide the most valuable source of funds for investment. For these reasons the Government attach the greatest importance to the continued development of occupational pension schemes, whose social and economic value to the community is so considerable.

The British Government, with the complete agreement of the Labour Party opposition of that day, decided to permit contracting out of the wage-related plan. We understand that about 50% of the employers in that country have in fact elected to do so. We have not had an opportunity to verify this figure from official sources.

It is one of the peculiarities of Canada's constitution that not one government but both federal and provincial governments will, through the years in future, take a part in the continuing operation of the C.P.P. For this reason we are particularly disturbed by the basic instability of the form of plan now being considered, as explained earlier in this Brief. Changing the transition period to 20 years would, we feel, assist in "taking pensions out of politics" and would provide some more definite guidelines regarding the future operation of the plan.

To the above we would add a word of caution. Whilst the adoption of a 20 year transition period would assist in stabilizing future operations of the plan, we must admit that actions of future government could nevertheless undo the good that this change might otherwise accomplish. For this reason, as well as others, we urge the Joint Committee to consider the advantages of permitting contracting out by individual employers in conjunction with the recommended change in transition period. The responsibility that governments of the future would have to employers who have contracted out would serve as a powerful brake on the pension plan becoming a continuing political issue.

We understand that many of the extravagant claims made prior to British elections in the past, relating to the national pension plan, have been dropped since contracting out was permitted. The same forces would operate in Canada since the whole system of contracting out would be upset if future governments attempt to make politically motivated changes in the pension plan.

We are not surprised to learn that there are some people in Britain who are against the principle of contracting out. We can well imagine that the discipline this feature imposes on the state pension and its operation from year to year may well frustrate some of those close to the British government who would like to bring pensions back into politics again.

We should not overlook the part played by private pension plans in the development of industry and formation of capital in Canada. The increasing dependence on this source of invested capital, especially in relation to common stock investments, represents a further reason for permitting contracting out by individual employers. In the absence of contracting out, a large part of Canada's savings will be forced into provincial investments. This portion would otherwise be available for development of Canada's industry and resources, thus making Canada less dependent on foreign capital.

In the case of the Quebec plan we believe that consideration has been given to investment of part of the fund in industry. Accordingly this province is unlikely to permit contracting out by individual employers. However a different attitude may be adopted by other provinces.

We have already pointed out the advantages in the case of union-management relations if contracting out is permitted from the C.P.P. Many thousands of leading employers have already established and funded pension plans designed to give adequate retirement income, in conjunction with the Old Age Pension. In the absence of permission to contract out employers may be forced by unions into pyramiding three layers of benefits and costs, one upon the other. Contracting out will help in avoiding an unhealthy combination of benefits and costs more burdensome than was ever intended by those who drafted either the Old Age Pension, private plans or the C.P.P.

(Meetings held during adjournment of the House)

MINUTES OF PROCEEDINGS

THURSDAY, January 21, 1965
(38)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 10:08 o'clock a.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Boucher, Croll, Denis, Fergusson, Lefrançois, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh, Thorvaldson (9).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Cameron (*High Park*), Cantelon, Côté (*Longueuil*), Francis, Gray, Gundlock, Knowles, Laverdière, Leboe, Lloyd, Monteith, Munro, Prittie, Rhéaume (16).

In attendance: Mr. Fred W. Whitehouse, National Secretary, and Mr. Walter R. McLaren, 2nd Vice-President, Federal Superannuates National Association.

Also in attendance: Mr. J. E. E. Osborne, Technical Adivser to this Committee.

On motion of Mr. Knowles, seconded by Mr. Francis,

Resolved,—That reasonable travelling and living expenses be paid to Messrs. Fred W. Whitehouse and Walter R. McLaren, respectively Secretary-Treasurer and 2nd Vice-President of the Federal Superannuates National Association.

The Committee agreed that the brief previously submitted for distribution by the Federal Superannuates National Association be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix A27*)

The Joint Chairman, Mr. Cameron (*High Park*), introduced the witnesses, Messrs. Whitehouse and McLaren, each of whom made brief statements concerning their brief.

The witnesses were then questioned, and the questioning having been concluded, the Joint Chairman thanked them for their brief and for appearing before the Committee. Mr. Whitehouse, in turn, thanked the Committee for their reception of the brief.

At 11:45 o'clock a.m., the Committee adjourned until 2:30 o'clock p.m. this day.

Dorothy F. Ballantine,
Clerk of the Committee, pro tem.

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AFTERNOON SITTING

(39)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reconvened at 2:35 o'clock p.m. this day. The Joint Chairman of the Senate section, Senator Fergusson, presided.

Members present:

Representing the Senate: Honourable Senators Denis, Fergusson, Lefrançois, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh, Thorvaldson (7).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Côté (*Longueuil*), Francis, Gray, Gundlock, Knowles, Laverdière, Leboe, Lloyd, Monteith, Morison, Munro, Prittie, Rhéaume (18).

In attendance: From the C.N.R. General Chairmen's Association; Messrs. Paul Raymond and J. H. Clarke, both Chairmen, C. Beckerton and D. O. Spicer, members and J. A. Huneault, Chairman of The National Legislative Committee International Railway Brotherhoods. *From* the C.P.R. General Chairmen's Association, Messrs. H. A. Stockdale, E. Streeting. Mr. S. Wells, Director of the Research Bureau.

Also in attendance: Mr. J. E. E. Osborne, Technical Adviser to this Committee.

The Joint Chairman opened the meeting.

The Committee agreed to have printed as an appendix to this day's Minutes of Proceedings and Evidence a document intituled "Answers to Questions Raised by Senator Croll and Mr. Knowles, on Wednesday, January 20, 1965, at the afternoon's Session." (*See appendix A28*).

In accordance with a motion passed at a previous meeting, the brief, previously submitted for distribution by the National Legislative Committee International Railway Brotherhoods, is appendix to this day's Minutes of Proceedings and Evidence. (*See appendix A29*)

On motion of Mr. Munro, seconded by both Messrs. Francis and Cantelon,

Resolved unanimously: That an amount of $250.00 be paid to the Clerk of this Special Joint Committee; namely, Mr. Maxime Guitard, for 85½ hours of overtime worked to look after the functioning of this said Special Joint Committee during the period extending from December 21, 1964, to January 22, 1965, both inclusive.

Then the Joint Chairman introduced Mr. Raymond who, in turn, introduced his delegations.

Mr. Huneault, made a preliminary statement and was questioned thereon assisted by the other members of the delegations.

It was agreed unanimously that the following documents be filed with the Clerk of the Committee.

(1) The C.N.R. Pension Board 1963 Annual Report to C.N. employees and pensioners.

(2) The C.N. Pension Plan.

(3) The C.P.R. Pension Plan.

(4) The C.P.R. Pension Board 1963 Annual Report to C.P. employees and pensioners.

The examination of the delegations being completed, the Joint Chairman thanked the witnesses and they retired.

On motion of Mrs. Rideout, seconded by Mr. Francis,

Resolved unanimously: That a vote of thanks and appreciation be extended to the members of the delegations for their contributions.

At 5:07 o'clock p.m. the Committee adjourned until 8:00 o'clock this evening.

Maxime Guitard,
Clerk of the Committee.

EVENING SITTING

(40)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reassembled at 8:08 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Fergusson, Smith (*Kamloops*), Stambaugh, Thorvaldson—4.

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Côté (*Longueuil*), Francis, Gray, Gundlock, Knowles, Lloyd, Monteith, Munro, Prittie—14.

In attendance: Dr. Robert M. Clark, Professor, University of British Columbia.

Also in attendance: Mr. J. E. E. Osborne, Technical Adviser to this Committee.

The Joint Chairman asked the Clerk of the Committee to read the Sixth Report of the Subcommittee on Agenda and Procedure:

"SUBCOMMITTEE ON AGENDA AND PROCEDURE

WEDNESDAY, January 20, 1965.

SIXTH REPORT

The Subcommittee on Agenda and Procedure of the Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 4:40 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Senators, Fergusson, Croll, McCutcheon.

Representing the House of Commons: Messrs. Cameron (*High Park*), Francis, Knowles, Monteith, Munro.

Your Committee agreed to the following decisions and recommends:

1. That when this Committee adjourns on Friday, January 22, 1965, it stands adjourned until 10:00 o'clock a.m. on Monday, February

1, 1965 on which date this Committee will hear a delegation from the Government of the Province of Ontario which has expressed the desire to appear before this said Committee.

2. That the Clerk of the Committee be instructed to write to the proper Officials of the Government of the Province of Ontario informing them that this Committee is most desirous of hearing their representations.

3. That the Clerk of the Committee be also instructed to write to Mr. Robert J. Myers, Chief Actuary, Social Security Administration of U.S.A. informing him that this Committee would appreciate receiving his expense statement of account for his appearance before this said Committee, on Thursday, January 14, 1965.

4. That a letter be sent, by the Clerk of the Committee, to both the Canadian Construction Association and the Canadian Teachers' Federation, inviting them to appear before this Committee, on Monday, February 1, 1965.

Respectfully submitted,

(S) A. J. P. Cameron (*High Park*)
Chairman"

On motion of Mr. Monteith, seconded by Mr. Munro,

Resolved: That the Sixth Report of the Subcommittee on Agenda and Procedure be adopted as amended by adding the following paragraph:

That all other prospective witnesses be informed by the Clerk of the Committee that they are under no obligation to appear before this Committee but that nevertheless, their briefs already submitted or intended to be submitted will be carefully studied and appended to this Committee's Minutes of Proceedings and Evidence.

Then the Committee agreed unanimously to have appended to this day's Minutes of Proceedings and Evidence a document intituled "Estimates relating to Old Age Security Programme". (*See appendix A30.*)

In accordance with a motion passed at a previous sitting, the brief submitted by Dr. Robert M. Clark is printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See appendix A31*)

The Joint Chairman then introduced Dr. Clark who was asked to give his qualifications before he made a statement and was questioned thereon.

And the examination of the witness continuing, at 10:20 o'clock p.m. the Committee adjourned until 10:00 o'clock a.m. on Friday, January 22, 1965.

Maxime Guitard,
Clerk of the Special Joint Committee.

Note—The evidence, adduced in French and translated into English, printed in this issue, was recorded by an electronic recording apparatus, pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, on May 20, 1964.

EVIDENCE

THURSDAY, January 21, 1965.

The CHAIRMAN (*Mr. Cameron*): Mrs. Rideout and gentlemen, I see a quorum, so I think we may as well get down to business.

I would like someone, if they see fit, to make the following motion and then have it seconded:

> That reasonable travelling and living expenses be paid to Messrs. Fred W. Whitehouse and Walter McLaren, respectively Secretary-Treasurer and Vice-President of the Federal Superannuates National Association.

Mr. KNOWLES: I so move.

Mr. FRANCIS: I second that motion.

The CHAIRMAN (*Mr. Cameron*): It is moved by Mr. Knowles and seconded by Mr. Francis that this motion be adopted.

Carried.

The CHAIRMAN (*Mr. Cameron*): Our brief this morning, of course, is from the Federal Superannuates National Association. Mr. Whitehouse is here, accompanied by Mr. McLaren. I would ask them if they would mind coming forward.

Mr. Whitehouse, we have all received a copy of your brief and we have studied it. We would ask you to make such presentation as you see fit now, and we will probably ask both yourself and Mr. McLaren certain questions concerning it.

Mr. FRED W. WHITEHOUSE (*Secretary-Treasurer of the Federal Superannuates National Association*): Mr. Chairman, ladies and gentlemen: First of all, I would like to express the appreciation of the organization we represent, the Federal Superannuates National Association, which is what its title implies, with a membership comprising retired federal civil servants of Canada. I would like also to express the appreciation, I am sure, of our membership and certainly of Mr. McLaren and myself for the motion which you have just passed, because I can assure you, sir, that we have not too much in the way of finances at the present time, Mr. McLaren and myself having volunteered to come here to speak for the people we represent, to the best of our ability.

I would be less than honest if I did not say that I am in a bit of a dilemma, the first time I think I have ever been in that position appearing before a joint parliamentary committee of the House of Commons and the Senate, in that we are aware that what we have to present is not included in your terms of reference. That is why we doubly appreciate having the opportunity of coming here, because we would like to present to this committee some of the things that are bothering retired civil servants, concerning which, up to the present time, we have not been able to convince our Government that something should be done, despite the fact that many countries of the world have recognized this over the past decade, including Great Britain and the United States of America.

The CHAIRMAN (*Mr. Cameron*): I do not think you need to feel any embarrassement. I feel that while it may not be strictly within our terms of reference,

this matter is something that has been brought up by many winesses before, and that is the situation in which people presently retired find themselves vis-à-vis the Canada Pension bill. To that extent I think your presentation is quite relevant. Certainly, we are not going to take any exception to it, at any rate.

Mr. WHITEHOUSE: Thank you very much, Mr. Chairman. With that encouragement, I will proceed.

Mr. KNOWLES: This is one of the groups of people not covered by our bill, and there have been many references to people not covered.

The CHAIRMAN (*Mr. Cameron*): That is what I intended to indicate.

Mr. WHITEHOUSE: I would add a few observations on the bill you are presently studying on the Canada Pension Plan, and we do this as citizens of Canada as well as retired civil servants of Canada. We have always hoped that such a plan would be forthcoming, and there has to be a beginning for all things, we know. And like all things that have come to us in the past they are not perfect.

There are things in this bill that we would like to see changed. The bill makes no provision for people who are retired now, though it is true that, when they reach the age of 70, they receive the old age security.

We think that despite the fact this bill, if it is passed, will provide for the people of the future when they retire—and that will be a wonderful thing—it is not enough. It is something very nice to know that your old age is going to be taken care of, but we like the part of the bill which provides for an escalator, in other words which keeps pensions on a par with the cost of living. We have advocated this in our representations to the Government for retired civil servants but have been told that it could not be done.

We would like to think that perhaps this committee, and I am sure they have had similar representations before them before, could make some kind of recommendation concerning, or at least give some study to, the people who will not benefit by this bill, namely, all retired federal civil servants.

We would like to think, too, that the widows will be given better provision in the future than they receive at present, and that this bill would contain a clause benefiting widows of retired civil servants so that they would receive at least 75 per cent of what their husbands would have received, instead of 50 per cent, and that they would be paid the full pension for at least one year to enable them to get straightened away in their financial situation.

I don't think we have to stress the fact that when a woman becomes a widow, perhaps with several children to take care of, it is quite a chore for her to become accustomed to this, and she certainly cannot do it in a few weeks or a month. We advocate that they receive the full pension for at least one year.

There are other things in the bill which we just cannot reconcile, and I repeat that the bill has nothing whatever to do with the people we represent because we are not going to benefit one iota from it. However, we do note that after 10 years of contributing, if you happen to reach the retiring age at the end of the 10-year period, you will receive the full pension of $104. Another person can contribute for 25, 30, up to 50 years, and still only receive the $104.

We would like to think that perhaps in the wisdom of this committee it could recommend that there be a limit on the years of contribution to the plan, similar to what we have in the federal plan. In other words, after 35 years of contributing service you do not contribute any longer but you do receive the full pension on retirement.

It does not seem equitable for a person to have to contribute for 40 or 50 years and still receive only the same pension which a person who has only

contributed for 10 years receives. We are also fully cognizant of the fact that it perhaps is these people who contribute 35 or 50 years who make it possible to keep the plan or the fund solvent.

However, there is a limit to all things, and I am sure that this Government will be laying itself open to a lot of criticism if this plan goes through with that particular clause in it.

There are many things that we would like to present to the committee on the plan, but we did not come here for that purpose. We have a selfish motive, shall I say, Mr. Chairman. We want to try to convey to you people the situation which federal civil servants who are retired find themselves in today.

Now, to obtain any amendment to the Canada Pension Plan we understand that you must obtain agreement of at least two-thirds of the provinces or two-thirds of the population of the provinces. I dn't know whether I have that correct, but it is something along that line.

Having had experience with quite a few governments I know how difficult it is to obtain that kind of amendment which you require to this plan if you have to get two-thirds of the provinces to agree. We would suggest that if it is possible at all you recommend making it, shall we say, easier to obtain amendments to this plan so that the plan can conform to the economy of our country which changes constantly, as you all know. If that is not done you are going to find yourselves with a plan which, perhaps despite all your efforts, will be almost impossible to amend once it is in effect.

We would like to think, finally, too, that some thought will be given to Canadian citizens who are now retired, and I am not speaking of federal civil servants. They should be given some measure of assistance other than the old age security pension which they now receive at the age of 70. There are thousands of these people across the country and they are in exactly the same position as the people we represent. I speak now for the thousands—38,000-odd—of federal civil servants, with their widows, who are retired and who, after serving the country faithfully as civil servants, do not get enough.

I emphasize the word "faithfully". You have heard the expression that civil servants are the backbone of any country's government. A government is no good unless it has a good civil service and, thank God, we have had a good civil service and still have one.

These people have made civil service their life's work. Thousands of them could have left the service to go into more productive employment outside, but they have been faithful and have stayed in the civil service. The dollars they have contributed to the plan have each been worth 100 cents or more, and in many cases the dollars they contributed are now worth only 32 cents in purchasing power. We would like to think that the Canadian Government in its wisdom—and to date it has not shown this wisdom—would provide for adjustments in the pensions of their retired people so that the purchasing power of the dollar in their respective pensions would be worth 100 cents instead of only 32, 40 or 50 cents, as it is today.

This is not a unique request we have made. This has been recognized in Great Britain, the United States of America, New Zealand, and countries of the continent. Some of our own employers in Canada have recognized this and some insurance companies have already made upward adjustments in the pensions of their former employees.

We ask that this committee, despite the fact that we are not included in your terms of reference, make some reference to this in your report. We would be particularly happy if you could make a recommendation to Parliament that more serious and favourable consideration be given to the superannuated civil servants of this country for an upward adjustment in their

pensions. Furthermore, if this adjustment in pensions is made, then the federal Government will be providing something it has refused our people—an escalating clause.

Governments of countries greater than ours in population have recognized this principle. In Great Britain they have agreed to make a cyclical review of the pensions of all their retired people. This review is to take place every two years so that the pensions of former employees will be kept on a par with the cost of living in Great Britain. Last year the United States Congress passed legislation containing this same clause.

I am sure, ladies and gentlemen, you are aware that this is going on in many countries; and Canada is one of the foremost countries of the world, a country we are very proud of and which we have served in the federal civil service and in the two wars as good Canadian citizens. Canada should do as much.

We would like to think that our employer will measure up to his former employee just as well as the employers of other countries have measured up to their former employees. We have tried to cover all this in our brief, Mr. Chairman, and you have told me that our brief has been read.

The CHAIRMAN (*Mr. Cameron*): Yes, it has been distributed.

Mr. WHITEHOUSE: And read, I hope. Mr. McLaren who is with me, is a former employee of Income Tax, and he is quite familiar with statistics. With your permission, Mr. Chairman, I would ask Mr. McLaren to put to this committee what we would hope the committee might consider, and include in its recommendations. Is that permissible, Mr. Chairman?

The CHAIRMAN (*Mr. Cameron*): Yes. I take it that there are no objections. Mr. McLaren?

Mr. WALTER MCLAREN (*Vice-President, Federal Superannuates National Association*): Mr. Chairman and ladies and gentlemen, we were fortunate in having some of the minutes of the meetings that you have held, and we were particularly interested in the actuarial projections and submissions that you have been laboriously studying.

First of all, as Mr. Whitehouse has stated, we realize that your terms of reference do not cover our situation. Since the superannuation fund is involved in the integration of active civil servants under the Canada Pension Plan, and we understand from the Association's press media that this has been agreed to by the Superannuation Advisory Committee—I do not know whether you have that before you—I should like to ask the Chair a question. It hinges on what I have to say. I presume, sir, that a recommendation will have to go from this committee for the amending of the Superannuation Act of 1954, which gives civil servants vested rights in the superannuation fund as it is presently constituted. In order to integrate those active civil servants under the plan on the arrangements that have already been agreed to, by making a diversion from their 6½ per cent contribution with a portion going into the Canada Pension Plan and the balance into the superannuation fund. I am not an actuary, sir, but I presume that that is going to have some bearing on the actuarial value of the fund as it will be set up after that takes place.

If it is correct that you propose to make an amendment we should like to know now because, as far as we, in our thinking, are concerned, we have vested rights in the fund—both the active and retired superannuates. Do you not think that any amendment that did not take into consideration the actuarial values that are going to be affected by that integration is somewhat of an infringement on our legal rights?

Mr. FRANCIS: Mr. Chairman, is this within the terms of the committee's deliberations?

The CHAIRMAN (*Mr. Cameron*): I am thinking in the same way as you are, Mr. Francis. I related it to the situation in which old age security beneficiaries are finding themselves, and on that basis I thought that the brief could be reasonably said to be relevant because we have had many witnesses before us who have called the same situation to our attention, but when you start talking about a particular act and so on I think you are going a bit beyond what I had in mind. Do you understand, Mr. McLaren? If you can relate it more specifically to the Canada Pension Plan then I think it would be that much more in order.

Mr. KNOWLES: Before you rule too firmly on that, Mr. Chairman, I wonder if you would look a little more closely at what Mr. McLaren is talking about. As I see it, he is asking questions as to what flows from things we have been told in this committee of the integration of the federal civil service superannuation plan and the Canada Pension Plan. That whole question is before us.

The CHAIRMAN (*Mr. Cameron*): I am trying to keep him within reasonable limits.

Mr. KNOWLES: It strikes me, Mr. Chairman, that he is more relevant when he asks these questions than he is in the main body of his brief. Their concern is that the integration which is forecast, and about which we have been told, does not affect adversely their position.

The CHAIRMAN (*Mr. Cameron*): In that aspect, it is relevant, yes.

Mr. AIKEN: I would like to support Mr. Knowles' contention. I think we are in a very broad examination, and I think the people who are left out should be heard just as much as those who are in.

The CHAIRMAN (*Mr. Cameron*): I am not trying to restrict the witness. I am asking him to keep as closely as he can to the Canada Pension Plan bill, and how it affects those he represents. As you said, Mr. Knowles, this is one way in which it may affect them.

Mr. FRANCIS: I think this is an important question, as to what will be done with that old superannuation act. That is obviously of great interest and concern to all of us. We have had indicated to us that discussions have been taking place informally with the various staff associations, but the committee has been asked to consider the Canada Pension Plan. I think it would be a very important assignment for a committee to look at the federal Civil Service Superannuation Act itself, which is a major topic and a very important one, but I have some concern, Mr. Chairman, about how far we should go on this point. I do not know whether any member of this committee can answer the specific question Mr. McLaren has put forward. I think the Government would have to speak on this matter.

I have some questions related to a number of the principles in the brief and the principles of integration, and I think it is perfectly in order for the committee to indicate the general principles which should guide integration. I think they can give us their views, but I do not think any member of this committee is in a position to answer the specific question put forward by Mr. McLaren.

Mr. KNOWLES: One of the questions asked is a question we have already dealt with in this committee. As a matter of fact, I asked it of one of the officials and I got a categorical answer. The question was: Will any of the money in the present public service superannuation fund be taken over by the Canada Pension Fund? We got from an official a categorical answer on that, that that would not take place.

Mr. FRANCIS: Mr. Chairman, I think this is a perfectly proper question, but I do not think it was Mr. McLaren's question.

Mr. KNOWLES: I am sorry, Mr. Francis, but let me go on for just a moment. I interpreted the brief as indicating that the Association accepts that answer; that it is satisfied on that point, but it is now wondering whether the contribution rates that will be altered by the proposed integration will have another kind of effect on the Public Service Superannuation fund. I agree with Mr. Francis that we cannot answer the question, but it seems to me that it is legitimate for this type of question to be put before us so that we can get the answer later from our officials.

Mr. FRANCIS: I think if Mr. McLaren wants to express a view as to the type of policy that should guide the committee and the Government it is proper for this to be in the record, but Mr. McLaren has asked for information which I do not think any member of this committee can give.

Mr. KNOWLES: I think we are agreed that he can ask it.

Mr. FRANCIS: I should like to hear his views.

Mr. MCLAREN: Mr. Chairman—

The CHAIRMAN (*Mr. Cameron*): Just a moment, Mr. McLaren, if you do not mind. There are two things which Mr. Osborne has called to my attention and which should appear on the record. At page 2 of the Government's White Paper on The Canada Pension Plan dated August, 1964, this paragraph appears:

> The Canada Pension Plan will NOT take over or absorb reserves that have been built up by private pension plans. The Canada Pension Plan will NOT remove any rights to benefits already acquired under private plans. The integration of private plans with the public plan will NOT be compulsory.

Mr. Osborne also calls my attention to a sentence which appears in the Minutes of the Proceedings of this committee at page 577, the last sentence in the second to last paragraph—this is Mr. Bryce speaking as a witness at this particular time—which reads:

> I should emphasize that pension credits already earned on service up to the commencement of the Canada Pension Plan (Jan. '66) would not be affected.

Does that help answer your question, Mr. McLaren?

Mr. AIKEN: I wonder if in addition I might read from the first paragraph, which is as follows:

> The Canada Pension Plan is designed to extend social insurance protection to people in retirement, to widows, orphans and the disabled.

The CHAIRMAN (*Mr. Cameron*): I am not ruling this is irrelevant at the present time, but I am suggesting to you, Mr. McLaren, that you try to tie your remarks in as closely as you can to the Canada Pension Plan; to state what you believe the Canada Pension Plan fails to accomplish, and what you think it should accomplish.

Mr. MCLAREN: Well, Mr. Chairman, I do not know whether you consider my opinions of any consequence along these lines. I have not had the advantage or the privilege of discussing the Canada Pension Plan in such detail as you and the members of this committee have over the past weeks. I was only making an observation from a perusal of the Minutes of your deliberations, and we were not quite sure where this was going. I do not think that the federal Civil Service Superannuates are people with suspicious minds, but we are all civil servants of long standing, and we have seen things during our service that we have come to suspect, and which eventually, because we have kept

quiet because of the regulations, we found were enacted. We thought that this committee, dealing in such detail with the Canada Pension Plan would find beneficial a comparison between the two plans.

On your actuarial assumptions and projections that you have there, there is a short-range estimate from 1966 to 1975, which is the transitional period; and then there is a long-range estimate for the years 1982 to 2050. I can assure you we are not concerned with that long period, because we will not be here; we will be under Higher Authority, as the brief shows.

Mr. KNOWLES: You both look pretty well, to me.

Mr. MCLAREN: That period compares with the present superannuation plan as it exists today. After 40 years of operation, we are most disturbed at reactions when we communicate with the Government at various levels from the Prime Minister down, and at replies from some members of Parliament who have taken it upon themselves to try to find out the answers on the floor of the House. They have been told, and we have been told repeatedly, that the superannuation fund is actuarially in the deficit position. To our way of thinking, and according to the research we have been able to do by using the public library and other sources of information such as the Auditor General's Report, that is something we cannot understand.

The CHAIRMAN (*Mr. Cameron*): This is where you are beginning to stray.

Mr. MCLAREN: I do not know how to keep in line.

Mr. AIKEN: I do not think we should try to prevent these witnesses from straying a little bit. There is a comparison with another plan. They are concerned with how they are going to get along. I take it that the trend of this particular remark is a concern about what may also happen to the Canada Pension Plan.

Mr. LLOYD: I agree with Mr. Aiken and think we could be a little tolerant for a few minutes. I think the gentleman will get to his point. This subject of integration generally is a proper one for us to be concerned with. I know that on many occasions in this committee I come up with questions which clearly indicate that I could have done a better job. There is room for improvement among all of us and I think we should show some tolerance to the witness for a few minutes. I am sure be is concerned about the matter of integration and in his own way he will eventually get to the point.

The CHAIRMAN (*Mr. Cameron*): Proceed, Mr. McLaren.

Mr. MCLAREN: Thank you very much. I may be wandering, but I will get to the point. I do not know whether your committee will accede to our request or whether you will even give it serious consideration.

Mr. AIKEN: We will hear it.

Mr. MCLAREN: Thank you very much. If you notice, on page 7 of the brief we have placed before you a life expectancy of the civil servants concerned, that is, retired civil servants. We review the superannuation fund with the actuarial short-range, long-range, projections. I am referring now to the short-range projections and estimates which you have before you under the Canada Pension Plan. If you look at that along with this schedule showing the age limits of the civil servants involved, you will find that 15 years is the most reasonable expectancy of life. That is in accordance with the insurance mortality rates which are usually submitted.

That brings me to this particular point and I would like to get to this point immediately. I do not know what the committee can do about it. These are the people we are concerned with. On the schedule that is their age basis. I understand that the schedule Mr. Knowles very kindly obtained for us is supposed to be tabled within the first 15 days of every session, and should

appear in *Hansard*. However, that is not the recent one, that is 1962; but I am positively sure the most recent one will not deviate statistically from the one you have in front of you.

You will see that when you are dealing with annuities of pension paid under the Canada Pension Plan, your civil servants of this age from 1924 to 1964 are receiving very much less. In fact, the great majority are receiving less than they could possibly receive under the Canada Pension Plan. That is what faces these people—I should say "us". However, I should be honest about it; I have been able to take care of the inflationary barriers myself by continuing to work. I am 72 at the moment, and I propose to work as long as the Lord gives me breath and strength.

I have met people in every walk of life across Canada who are in dire circumstances by receiving this inadequate pension. I notice that one lady from the Council of Women was telling you that our aged people cannot live with dignity. I can assure you that your former civil servants cannot live with dignity on that type of pension.

Therefore, sir, ladies and gentlemen, what we are concerned with now is the 15 years. If this committee wishes to do anything for the former civil servants, they have the statistical data there and they could suggest that a diversion be made at the cut-off date of January 1, 1966, in the inception, whenever the Canada Pension Plan comes into operation, that is the crucial period as far as we are concerned. If there is any anticipated amendment going from this committee to be discussed on the floor of the House, you could make some recommendation to aid people who now require some assistance, your former civil servants. I think this should be reviewed with an integrity which looks beyond immediate political partisan advantage, because we are your civil servants regardless of political affiliations. We hope you will see your way, when you are making an amendment to the Superannuation Act, to include a recommendation which would be discussed on the floor of the House, to take care of these people, to do what is required. I am now at the point. You can take the cut-off date as far as superannuates are concerned, in dealing with the 15-year projection, which is quite comparable to your short-range projection here. If you do that, your Canada Pension Plan, if it passes, will have public support. If you do not do anything for the retired civil servants, I do not see how you are ever going to get the support of the people of Canada, when anyone can look around and say: "What are they trying to do now; what did they do for their former civil servants, living under those conditions?"

There is one other point before I conclude. I want to keep within your terms of reference, if I can. On your actuarial projections there is an anticipated increase in the cost of living, which will increase as the plan proceeds. It is given as possibly 3 per cent, if I can remember correctly, up to 1985. That is a very conservative estimate, and a very conservative assumption, because last year the cost of living went up 1.9 per cent from November to December. This is going to have an impact on the economy of the country, which you discussed, as I know from the minutes of your meetings. I do not know who the gentleman was, but he asked a question, I believe, of Mr. Bryce, as to how wages chase prices and the levels come together. I think the actuary told you that he had looked at that position as given over 100 years. From having spent all my working life in the Income Tax Department, I can assure you that I can agree with what he had to say, because wages chasing prices creates an inflationary situation. Here we are, a bunch of your former employees, subject to the frustration of these inflationary values. Nothing has been done up to now. If this bill passes and comes into operation, we can look forward to further encroachment on the fixed income of the pension dollar, reducing down to the

point where you will have widows—and I appeal for the widows particularly—living practically in penury and going hat in hand to their respective provincial governments, as the Prime Minister suggested, so that they may receive assistance from them on a charitable basis.

That is my submission. Thank you.

Mr. FRANCIS: I was interested in the table on page 2 of the brief, which is the breakdown of the number of civil servants by the amount of the pension. The Canada Pension Plan has been criticized because its benefits are earnings related. As I understand the request of the association, through their brief, they want adjustments which are related to previous earnings. They have asked for parity with those retiring in comparable brackets.

Mr. MCLAREN: That is correct.

Mr. FRANCIS: Because it seems to me that this is the same principle which is under attack in the Canada Pension Plan itself, and if I read your brief, you are supporting the principle that the adjustments should be related to earnings. The income range does not include $75 a month at age 70 for old age security; this would be in addition?

Mr. MCLAREN: That is quite true, but then we have no pension which is equated under the Canada Pension Plan at age 65.

Mr. FRANCIS: Have you made a specific request that this should be one of the provisions?

Mr. MCLAREN: No, we have not.

Mr. FRANCIS: My question, Mr. Chairman is this: Does the association which you represent have any views on an upper limit of relation of earnings—pardon me, of the Canada Pension Plan or federal civil service superannuation, plus old age security as a percentage of some sort of current earnings? Have you any views of what the upper limit should be? We were given instances where civil servants will retire, and I am very happy to learn about this. Have you any views of what the upper limit should be? Are you asking for adjustments at the top of the scale in the same percentage as at the bottom of the scale? Should there be an upper limit of say 80 per cent of earnings in a current bracket, or an adjustment which is weighted more in favour of those at the bottom.

Mr. WHITEHOUSE: As I tried to point out in my remarks, what we have asked for is that the pension dollar be kept on a par with the cost of living as indicated by our Bureau of Statistics. The pension dollar should be worth 100 cents instead of, in the worst cases we have, 32 cents today. They contributed a dollar, 100 cents, when they were working. The pension dollar today in some cases is worth 32 cents. We are asking that the purchasing power of the pension dollar be brought up to its full value. As you are aware, a great majority of the people we represent, when they received their superannuation it was based on the ten year average. Since then there has been an amendment to the Superannuation Act which makes it that your superannuation is based on the best six years of service. That in itself creates quite a margin—the person receiving a pension on a ten-year average, and the person on the best six years of service which is the case today. So our people feel that their pension should be based on the best six years. That is one adjustment that should be made automatically, we think. But also adjustments should be made to bring the pension dollar up to 100 cents; and we have asked that the same amount of pension be given or considered when this adjustment is made, that if you are receiving $50 a month it still be $50 a month when this consideration is given to bringing it up to $50 full dollars, but also to add to that an upper adjustment to make it possible for that person to live in decency.

You mentioned the old age security pension, and it is true that we have not included that in the earnings or the income of our people. The Prime Minister

has brought this to our attention, too, that our people receive the old age security. But so do all other citizens of the country, because they contribute in their working days, and we do not think we should be singled out that this is an extra thing we receive at 70, because all citizens throughout the country receive it.

Mr. FRANCIS: One last question. Of course, I am in favour of the principle of doing something for people who retired a few years ago, and I realize that the pension dollars do not mean the same thing any more. I think the principle is right; but is your delegation recommending the same pension adjustment for those receiving $300 and over and those receiving less than $20 a month.

Mr. WHITEHOUSE: Well, as you know, there has been one adjustment made, which was passed by Parliament in 1958 affecting those who retired before December 31, 1952, made by the previous government. The table will show that they awarded these upper adjustments on a graded scale, which seemed fair and equitable, and we would assume that if we were successful in getting an adjustment in the present pensions it would be on the same basis. Of course, we are particularly interested in the lower bracket.

The CHAIRMAN (*Mr. Cameron*): Mr. Knowles?

Mr. KNOWLES: Mr. Chairman, I do not think it is necessary to take any of the committee's time or space in the record to indicate my sympathy with the delegation, so I will come straight to my question.

My first question, one might say, has just been answered. However, there is a facet of it I might develop slightly. You do refer in your brief to the Public Service Pension Adjustments Act, and you suggest it will be better for increases in the pension to be charged against the superannuation account fund rather than as a budgetary expense. I take it that despite that criticism of the use of the Public Service Pension Adjustments Act of 1958 you do agree that the principle in that act, namely, that any increases or improvements should be awarded in favour of those at the lower end of the pension scale?

Mr. WHITEHOUSE: Correct, Mr. Knowles.

Mr. KNOWLES: You made a reference in your brief to widows and their need for a higher rate of pension than 50 per cent which is now the case, and you spoke particularly of widows who have children. Obviously in this case you are referring not to the widow of a civil servant on pension who had retired. We had statistics the other day to set that aside. But you refer mainly to the widow of the civil servant who dies in service?

Mr. WHITEHOUSE: That is right.

Mr. KNOWLES: Would you think that there should be any special kind of provision, that there should be a percentage added on where there are children; or do you feel rather that there should be a flat increase in the pension paid to widows?

Mr. WHITEHOUSE: This was our understanding, that if we were successful in obtaining an increase in the widow's allowance to 75 per cent, there be an added clause that she receive the full pension, which her husband would have been entitled to, for at least one year, to get her financially settled, particularly where children are concerned. We have not requested any further adjustment in the case of children under 18 now receiving a percentage of the widow's allowance.

Mr. KNOWLES: We who are sitting as members of Parliament can hardly quarrel that the widow's percentage could be a little higher, because although they were not covered in our pension act for a number of years they are now covered for 60 per cent.

You have made a number of references to what the jargon of this committee has called "indexing." This is the process of raising pensions according to various indices based on the cost of living or wage. You have referred to the desire to keep the pension dollar at the value that obtained to those dollars we put in.

Mr. WHITEHOUSE: That is right.

Mr. KNOWLES: I think that this is not your only interest, that you feel that there should be other adjustments to enable retired people to keep up with the standard of living of the society in which they are living?

Mr. WHITEHOUSE: Correct.

Mr. KNOWLES: Have you noticed in your persual of the minutes, although some have only come to us this morning, a submission made by two or three delegates—I think Mr. William Anderson was the first one—that any general old age pension plan should have in it provisions for increasing the amount as pensioners grow older, that is, that a 75 year old person should get more than a person of 70 and that a person of 80 should get more than one of 75? Have you any comments on this?

Mr. WHITEHOUSE: Yes, we have views on that, and we are quite aware of some of the representations to this committee from insurance companies and other people representing large groups of citizens. While we did not make any representation on this particular point, we do agree that as people grow older their expenses tend to increase, and this can be brought about by many factors—ill health, for one thing, and until we have a medicare plan, which we understand might be forthcoming in the not too distant future.

Mr. KNOWLES: I hope you are right.

Mr. WHITEHOUSE: And these people find themselves in very straitened circumstances, more so than earlier in life; so that we could agree with what has been submitted to this committee in that respect.

Mr. MONTEITH: May I ask a supplementary, Mr. Chairman. Does your experience indicate that the members of your association have any views on this, that any income, or any capital, small savings that might be laid aside at the time of retirement, are apt to reduce as years go by. Are people inclined to use up savings other than the pension?

Mr. MCLAREN: Definitely. I would say from the people we represent, that we find that civil servants who are in retirement today came through the hungry thirties. When you talk about savings, they had no money to invest as a hedge against any future inflationary period. It is only as they came to the years from 1930 to 1940 that they had any money to spend. Most civil servants, and we must remember this, were on a low salary scale, very much lower than they are today, they were buying houses and equipment, household equipment, and they had not the money and they paid for it on deferred payment plans. It is only in the later years of life they found the house paid for, after struggling along for some time, and some of these people have had to sell their houses and move into apartment living because of the fact that they could not do ordinary household chores in the garden; and that situation applies to all elderly people. They are using their whole resources immediately they do that, and some have been forced to sell their house at a very much depreciated value, unless they happened to be living in an area where real estate skyrocketed during the expansion, in large cities like Edmonton and even Victoria. They are digging into their savings, such savings as they have.

Mr. MONTEITH: Generally speaking, the more elderly one becomes the lesser are the savings left on hand?

Mr. MCLAREN: Yes, they are, definitely.

Mr. WHITEHOUSE: I would like to add to that, and Mr. McLaren has brought out the point. The great majority of people we represent are people superannuated in the past 15 or 20 years. The salaries at that time—I know from first-hand experience, and had a lot to do with bringing salaries up to what they are today in the civil service—the salaries of 15 or 20 years ago, in many cases, were less than half they are today, but—and this is where the burden our plan comes into full play—they were always able to provide for their old age, and a great majority of people could go to bed quite content and happy that their future was taken care of. They were not receiving enough pay to accumulate riches of any kind, but those fortunate enough to save two or three thousand dollars found it was dissipated by the low pension they were receiving and the expenses they were having to pay between the age of 65 and 70. To answer the question: Does money saved during a lifetime stay with you, or is it used or dissipated after you retire? Definitely. I know in my own case, when I retired two years ago I thought I had a nice little nestegg, but more than half of that has gone already, and I wonder what is going to happen in the next five years. Like Mr. McLaren, I thank God that we are fortunate enough to have enough to get by on; but it is these people we are representing we want more done for. People in every city of this country need help, former civil servants who have given faithful service for 45 to 50 years, living in the hope that when they retire they would have enough money in the form of a pension to keep them going. Then they come to the stage when they find the purchasing power of the dollar is decreasing every day, and nothing has been done yet to bring that purchasing power back up to where it should be.

Mr. KNOWLES: An accent like that of Mr. McLaren's tells us it was not possible at certain times to effect savings. It is too bad our *Hansard* record is only bilingual, French and English.

One or two other questions. You have made it very clear today, and through the piece, that you do not think what you get under Old Age Security should be thrown at you as a reason for not having your position as superannuated civil servants improve. This is the position I thoroughly agree with. But I still would like to ask you a question regarding Old Age Security. There have been a good many suggestions to this committee, even though our terms of reference are the Canada Pension Plan, to the effect that Old Age Security should be increased. I take it we would have the support of your association for any such recommendation?

Mr. WHITEHOUSE: Not only an increase but we would like to see it paid sooner, at age 65 instead of age 70.

Mr. KNOWLES: One final question. Perhaps this is where we started when we began the meeting. You are, of course, aware of the fact that our terms of reference specifically are Bill C-136, but you are also aware of the fact that committees sometimes include in their reports recommendations on other related matters. Basically, you are hoping this committee will issue a recommendation along the lines of your brief?

Mr. WHITEHOUSE: Quite correct, Mr. Knowles. And, Mr. Chairman, that was one of the main reasons we wanted to get before your committee, and why we appreciated so much that you gave us that privilege, because, as I have stated, from past experience of parliamentary committees I know that while their terms of reference covered something very specific, they have listened to other things perhaps closely related to what the terms of reference covered, and in their recommendations to Parliament they have included certain recommendations despite the fact their terms of reference did not include these things.

More than anything else, we would like to get our case on the floor of the House of Commons, if it is at all possible, because we are so confident that if every member of Parliament knew of the plight of retired civil servants he could

not fail to agree to the modest thing we are asking. This is not unique; other countries of the world have recognized this and are practising it today.

Mr. AIKEN: Mr. Chairman, I wonder if I might ask Mr. Whitehouse about the association that he represents?

I assume this is a continuing association, one which will represent the retired superannuates as they become superannuates from the federal civil service. Is that correct?

Mr. WHITEHOUSE: That is correct, and with your indulgence, Mr. Chairman, if I could just enlarge on this picture: It is what the title of the organization states, superannuated federal civil servants. We are national in scope, from Halifax to Victoria. We have membership in several countries overseas, Canadian civil servants retired abroad, and we definitely intend to continue in operation. When we pass out of the picture there will be others, we are sure, ready to take our place.

I may say we are comparatively new in so far as a national association is concerned. When I retired as president of the Civil Service Federation in the fall of 1962, instead of sitting down and taking life easy, which I had been looking forward to doing, I decided to organize the retired civil servants of this country, which I knew had been necessary for some 20-odd years. Our target is not simply to get a better deal in the way of pensions. We are in a position to counsel our superannuates as to how they can do this, that and the other thing, and most of my mail is from retired civil servants across the country who are asking for that counsel. We envisage establishing something they have in Great Britain and Germany: we are going to establish what we call holiday homes across the country, so retired civil servants can get a holiday or convalesce at about half the price they have to pay today.

Mr. AIKEN: Thank you, Mr. Whitehouse.

Mr. PRITTIE: I should think Mr. Whitehouse is never really going to retire, Mr. Aiken.

Mr. AIKEN: The point of my question really was that your association, while primarily presenting a brief concerning present-day retired civil servants, is also concerned with the plight and conditions of future retired civil servants and, therefore, your view is as to them as well as to yourselves?

Mr. WHITEHOUSE: Yes, but I would be less than honest if I did not also state this, that while we are naturally concerned with the future of retired civil servants, with the coming into being of the Canada Pension Plan, we understand from what the parliamentary secretary to the Minister of Finance said last November on the floor of the house, a partial integration of our fund will be made with the Canada Pension Plan. Therefore, apart from the Canada Pension Plan and our superannuation fund, they will receive adequate pensions.

We may have suspicious minds, but when we look into the future and project ourselves 15 years from now we suspect that there may not be a superannuation fund; it may be all Canada Pension Plan. But, if things are as they should be, these people will be taken care of by automatic adjustments through an escalator fund.

Mr. AIKEN: In the meantime—

Mr. FRANCIS: Just to put something on the record—

Mr. AIKEN: I don't want to lose the trend of thought here. In the meantime what you are concerned about is that the people now retired or who are going to retire in a few years, during this interim period are going to be in an eminently worse position than people retiring after the plan goes into effect.

Mr. WHITEHOUSE: That is correct. In 15 years we'll all be dead and we won't have any reason to worry any further.

The CHAIRMAN (*Mr. Cameron*): You are being a little pessimistic.

Mr. FRANCIS: Just to put something on record with regard to Mr. Whitehouse's remark about his concern as to what will happen to the existing fund, the existing private plans are not going to be compulsorily affected, nor is the Government's plan, but in respect of future contributions to the plan there will be integration. However, benefits that have been earned and built up under the superannuation act itself will not be impaired in any way as such. In other words, existing funds relating to past service are not going to be applied to any other service or integrated with the Canada Pension Plan, but integration will take place with respect to service commencing from the date the Canada Pension Plan becomes effective. This is important for the record. I think Mr. Whitehouse is aware of this, but I did not want to have any misunderstanding.

Mr. WHITEHOUSE: I have had communications from the Prime Minister himself assuring me of this. We are quite aware of it, but some of us have lived long enough to see a lot of things done, and I don't suppose the future is going to change too much in that respect. I know that we have been told definitely that this fund will not be impaired and that the same benefits will prevail, but we also know that a prominent Member of Parliament stated a week ago in Nova Scotia that in the next 15 years our $2 billion will be gobbled up.

Mr. LLOYD: Who made that statement?

Mr. WHITEHOUSE: I don't care to name him.

Mr. FRANCIS: It is not anyone present, I hope.

Mr. WHITEHOUSE: No, but I am just saying what is going on, and you have had enough experience, Mr. Francis, to know what is going on too.

Mr. AIKEN: Mr. Whitehouse, you are particularly concerned that there shall not be a great differential, then, in the next few years between those now retired and those who will retire in the future.

Mr. WHITEHOUSE: We want the assurance, and we hope that this committee can make such a recommendation, that the people we now represent, who comprise our membership of approximately 37,000, including some 12,000 widows, will be protected in this 15-year interim, despite what might happen in the Canada Pension Plan. We also think that it will require amendments to the Superannuation Act, and we feel that we should participate in any discussion, certainly any agreement, which culminates in this amendment being made.

In our brief we have specifically requested that we be given representation on the Superannuation Advisory Committee, which is appointed by the Government. Who should be more entitled to be on that committee than the superannuates themselves? We ask for that further protection.

Mr. AIKEN: As part of the integration of the Canada Pension Plan with the superannuation plan, I take it you would suggest that the existing funds in the superannuation fund might be adjusted to give presently retired people an increase from those funds to bring it into line with the cost of living at the present time?

Mr. WHITEHOUSE: That is right. And the adjustment act—and Mr. Knowles referred to that—is quite in order. We don't object to that, but we do object to the statements that have been made that there should be adjustments to the present superannuation coming out of the fund. We have $2 billion in this fund and we cannot accept that. After paying all pensions for one year there was still $14 million—odd floating about, in interest, which more than covered the pension fund.

Mr. AIKEN: You say that such an adjustment can be done without being unfair to those coming along because they will have the Canada Pension Plan.

Mr. MCLAREN: It is not any more unfair than the Canada Pension Plan. If I may make this statement, and it may be relevant or not. Their government

accounting and actuarial values are a bit of a mystery to civil servants. We appreciate the detail that you have now in front of you, and you have been studying the actuarial detail and the projections of the Canada Pension Plan, but we think they are a lot clearer and more understandable than anything we have heard from any actuary or government source regarding the superannuation fund.

What gives concern to, and is a source of worry for, a lot of our members who occupied positions of some seniority in government centres is the very fact that when you get the Glassco report, as well as some governmental reports, you find that the Government's contribution was in default $2,021 million in the beginning of 1963. This, I understand, has been adjusted since.

That same Glassco report says that $602 million is left. This is the Government's contribution, dollar for dollar, $602 million. This has been charged to a special reserve to be charged against some future budgetary expense. Then they come along and they tell us that immediately we get into communication with them, the fund is actuarially unsound.

Any common-sense individual will say, "If it is unsound, why do you not put in the $602 million in the reserve and see what actuarial valuation you can produce then?" With regard—

The CHAIRMAN (*Mr. Cameron*): I don't want to interrupt you, Mr. McLaren, but what you are doing is arguing what you might argue before another body. It does not seem to me that it is too relevant here. You are embarrassing me. I do not want to prevent you from making these statements, but I do feel that you are really trespassing on the situation when you start to present arguments which would be more appropriate before another body.

You have had the opportunity of making your statement before this committee, and you have supplied a lot of information which, no doubt, in due course will be used in some other place. I would just suggest that instead of arguing what should or should not be done in connection with the superannuation fund, or whether it is being properly administered and so on, that you try to keep your presentation, what you want to say, more directly related to the Canada Pension Plan.

Mr. AIKEN: Mr. Chairman, we spent the biggest part of one meeting with members of the federal Government explaining how they were going to integrate the superanuation fund with the Canada Pension Plan. I think we surely can do no less for the association directly concerned.

The CHAIRMAN (*Mr. Cameron*): All I am suggesting is that this is not the appropriate forum for an argument with regard to the use or misuse of superannuation funds, or how they were handled, and so on.

Mr. FRANCIS: I am sure, Mr. Chairman, that integration is in order.

The CHAIRMAN (*Mr. Cameron*): The situation of people who have retired and for whom nothing has been done under the Canada Pension Plan has been called to our attention. On that basis I allowed the statements to be made and proceeded with, but when we start going beyond that I think we are getting out pretty far towards the end of a limb.

Mr. AIKEN: Mr. Chairman, I am not going to pursue it further—

The CHAIRMAN (*Mr. Cameron*): I have not stopped Mr. McLaren, but I suggest to him that he consider the appropriateness of his remarks.

Mr. AIKEN: My understanding is that to carry out the intention of the Canada Pension Plan, which is to permit all Canadians to retire with security and dignity, we should hear anything that relates to that intention.

The CHAIRMAN (*Mr. Cameron*): Mr. Munro wants to speak on the question—

Mr. KNOWLES: I think Mr. McLaren was pretty close to the end of this, and while the connection is perhaps a bit tenuous we are still in the general area of the integration of these two plans. We did hear from the Government side. May we not hear from the pensioners' side? You are doing a good job, but—

The CHAIRMAN (*Mr. Cameron*): I am just suggesting that the remarks be kept more appropriate to the deliberations of this committee.

Mr. MCLAREN: I think we can sum it up by stating that partial integration of our superannuation fund with the Canada Pension Plan fund, when it comes into being, is what we are certainly disturbed about in so far as the present retired civil servants of this country are concerned. We want to make sure that retired civil servants of this country, who will not participate in the Canada Pension Plan in any way, shape or form, are protected. In asking for that protection we would like to think also that the Government will see its way clear to see to it that the pensions these people will be receiving until they die—within, say, the next 15 years or so—are brought into line with the purchasing power of the dollar today. That, in a nutshell, is what we are asking. We do think that the federal retirees of this country, despite the fact that the Canada Pension Plan shuts them out completely, should receive the same kind of protection that this plan is going to provide for the people in the future.

The CHAIRMAN (*Mr. Cameron*): Is there anything else, Mr. Aiken?

Mr. AIKEN: No. I think Mr. McLaren has made his point very clearly.

Mr. LLOYD: I do not have the reputation of being a diplomat, but I must say, Mr. Chairman, that I think you and the witness are both right. In your case you have made reference to the form in which their observations were being expressed. On the other hand, I have no quarrel whatsoever with the points they were trying to make.

They said that the superannuation funds of the civil service are veiled in mystery. There, I think, the distinction is a matter of terminology. All you have to do is to look at this book entitled *The National Finances—1962-63* where at page 180 in the table headed: "Summary of Assets and Liabilities of Federal Government as at March 31, 1958 to 1962" and against the item "Deferred charges—Unamortized portions of actuarial deficiencies in pension accounts," you will see them set forth for five years. In 1958 it was $139 million. Then, in 1959 it bumped up to $465.3 million. In 1960 the figure is the same, and I suspect that they recalculated the actuarial amount of the liability and said that there was a deficiency—

Mr. KNOWLES: Or they got another actuary.

Mr. LLOYD: However, in 1960 there was no change, so I can only assume that at that time the Government's budget took care of the liability for the one year. Then, in the next year it bumped up to $603 million, and in 1962 it was $606.5 million. Where it is in 1963 and 1964, I do not know.

The message I get from Mr. Whitehouse and his colleague is this, that whatever may be necessary in changing financial matters—because it is a fact today that for the first time a Canadian government is going to fund the liability for a wage-related pension scheme for Canadians, and it is going to rely on the general resources of the Government to meet the liability in the long run. What you are saying, Mr. Whitehouse, is: In doing all this, be sure that you do not forget in any way, shape or form, or weaken in any way, your existing liability on the implied contracts with respect to the pensions of civil servants.

In the second place, you are quite happy to see escalation being introduced, or indexing, in some way to upgrade pension benefits in relation to the cost

of living, and that this is fine; that you are all for it in the future, but you make your case very forcibly and say: While you are doing this please take a look at those who are on superannuation, and make sure that those Canadians, in common with all other persons who will not enjoy the benefits of the Canada Pension Plan, in some way get a measure of relief from the imbalance that will be created. That is what you are saying, and I think everybody gets your message very well.

It is not so much as former civil servants that you make this plea, but you are speaking for all other people who are now on superannuation, although you say that within this body there is a large number of civil servants.

Mr. WHITEHOUSE: That is right.

Mr. LLOYD: I should like also to make this observation, that I think the witnesses have done us a great service. In contrast to the many representations that have been made by others to the effect that there should be no indexing they have placed on the record a very significant point, that with two-thirds of the provinces having two-thirds of the population it might be very difficult to get agreement as to what levels may be raised, and that by introducing indexing you provide at least for a measure of upgrading by a rule and by prior agreement of all those involved in the Canada Pension Plan.

That is really what you are saying?

Mr. WHITEHOUSE: Yes.

Mr. LLOYD: But what you are saying is that if the Government of the day recognizes this in the future can they not in some way, when they are finalizing the Canada Pension Plan, apply the same principle to those presently on pension. Is not that the essence of your remarks?

Mr. MCLAREN: That is right. It is a matter of principle. If the principle is good and sound it should apply to everybody.

Mr. LLOYD: Whatever the accountants and others may do, you come to us right from the field with experience of the problems of living on superannuation, and you say to us: "These are the things that we know from our experience". I welcome your evidence.

The CHAIRMAN (*Mr. Cameron*): Mr. Cantelon?

Mr. CANTELON: Mr. Chairman, I am very much interested in the argument advanced by the Federal Superannuates National Association, and I suppose that is because I was a type of civil servant myself. I was a teacher, and I have had some experience in fighting governments over pensions. I know of the difficulties that exist in getting anything done for those who are superannuated. In fact, in Saskatchewan the teachers themselves had to finally assess themselves one per cent of salary in order to supplement the pensions of those who were superannuated. I am not suggesting that you do that. In fact, I think your argument suggests that this should not be done; that it is up to the pension plan to provide this extra money, and I agree with you.

I want to point out, however, that in this battle you are engaged in you are fighting not only for civil servants but for all others who are superannuated and who will be on inadequate pensions in the future. I just want to know if you have any idea of how many there are in Canada in other organizations who would be similarly affected as your people will be.

Mr. WHITEHOUSE: Not offhand. We have not that kind of statistics in so far as the retired citizens of Canada are concerned in the general walks of life. We have statistics for the retired members of the armed forces and the R.C.M.P. and the federal civil servants.

Mr. CANTELON: They will undoubtedly be similarly influenced as yourself?

Mr. WHITEHOUSE: Yes.

Mr. CANTELON: I suggest that there are a million or more Canadians who are superannuated, and who will also be similarly affected.

Mr. WHITEHOUSE: Yes.

Mr. CANTELON: That is the point I want to make.

The CHAIRMAN: Mr. Munro?

Mr. MUNRO: Mr. Chairman, my only comment is that technically speaking, in so far as the brief of the Federal Superannuates is concerned, it relates to the Canada Pension Plan and their experience, and in so far as they are recommending that the present retired be taken care of across the board in Canada, and not just the retired civil servants, then their representations are very pertinent and important. But, when they are referring to retired civil servants in relation to the civil servants now employed and just ready to retire, and relate what they say to the superannuation fund, and so on, then I think it can be said that they are—and I do not wish to be technical—outside the ambit of this particular committee, and really outside our terms of reference.

I know that the gentlemen here recognize this fact to a certain degree inasmuch as they have made representations to the Government of Canada with respect to this situation, rather than to committees such as this.

I would point out, too, that Mr. Knowles, as we all know, has made many representations on this matter in the House. I also point out to Mr. Whitehouse that Mr. Francis elsewhere in the House is making strenuous representations to have this situation, as far as retired civil servants are concerned, corrected, and also as far as the superannuation fund is concerned and their position relative to those presently in the civil service. I do think that that aspect of the brief is, strictly speaking, outside the area of this particular committee's deliberations.

Mr. KNOWLES: Mr. Chairman, I do not think this point of order should be pressed—

Mr. MUNRO: I am not pressing it, other than to say—

Mr. KNOWLES: I still come back to the point that at the request of the Government we had before us people who talked about the integration of the federal superannuation fund with the Canada Pension Plan. It seems to me that if we hear from the people on the paying side then we should hear from the people on the receiving side. We have demonstrated that right, so why modify it?

Hon. Mr. SMITH (*Queens-Shelburne*): I have a very short question to ask, Mr. Chairman. I should like to ask the witness, with respect to the former Member of Parliament from Nova Scotia, whether he would reconsider his decision not to name him for the record. Would you name the former Member of Parliament who made that statement about what would happen to the superannuation fund?

Mr. FRANCIS: It was a totally fallacious statement.

Hon. Mr. SMITH (*Queens-Shelburne*): My understanding is that it is completely wrong.

Mr. WHITEHOUSE: No, I have no desire to have this in the record at all. I merely brought it up to show what is going on across the country.

Hon. Mr. SMITH (*Queens-Shelburne*): That is all right. I accept that. The only public statement to that general effect has been made by Mr. Buckler of Annapolis Royal, with whom I am sure you are acquainted.

Mr. CÔTÉ (*Longueuil*): I wish to congratulate the association on having taken the opportunity to bring the problem of the retired civil servants before this committee. I can give a good example of what has happened to many retired civil servants. I am indirectly a victim of this, because my father was working all his life in the Post Office as a civil servant. Having entered the First World

War in 1914 at 16 years of age, he came back from it in 1919. Then he was hired in the Post Office and worked there for 27 years. His highest salary was $1,800 a year. At the age of 47 he had a stroke and had to take his pension. The pension he had was $84 a month, with eight children still in school. It threw me a little early in life on the labour market. Ever since then, the pension has been the same. He is still living, he is much better, his health is good, but he still has to work to earn a living, because his pension is not big enough.

I do not blame the Superannuation Act completely, but, as you mention, there should be an increase in the pension of retired people, that could be indexed to the cost of living or something like that. The retired civil servants contributed to the fund and, seeing that the fund is over $2 billion now, I think it would be fair to give benefits to those people who had to contribute, even if the salaries when they were working were much smaller than those which civil servants are earning now. I wish to congratulate you for having taken this opportunity to bring this up in front of the committee, even if you might think that it is not quite relevant to the case.

Mr. GRAY: I certainly could not agree with those, if there are any, who would make a special point of criticizing this brief. The witnesses have helped to bring before us again a problem which has been raised before this committee since it began its hearings, that is to say, the problem of those, including the superannuates, who are now retired. I, and most of the people in this committee, recognize that the passage of this bill will not end the obligation of Parliament and of the working population to those who have retired. In fact, the witnesses before us have helped to show us a possible source of increased assistance to those who are now in the position of being federal superannuates, assuming their arguments about the fund are accepted.

In that light, they have added further evidence to the evidence coming before us in the past several weeks. As has been pointed out, there are a number of members, including some on this committee, who have made representations on this point, either in the House or, like myself and other members, directly to appropriate members of the Cabinet. The presence of these witnesses before us has been very useful, illustrating a problem and reminding us of an obligation that I and most of us accept, not to forget those now retired, whether from private employment or from employment in the federal Civil Service.

Mr. KNOWLES: I wonder if the witnesses realize that they seem to have unanimous support of this committee. No one is against them. We are all for you.

The CHAIRMAN (*Mr. Cameron*): Interpreting what Mr. Knowles has said, we all believe in the principle which these witnesses have advocated, that there should be an adjustment. It is not always possible to do some of the things one believes in, but still one believes, one fights for it and eventually gets it.

Mr. Whitehouse and Mr. McLaren, on behalf of the committee, I wish to express our thanks to you for appearing here today. We have listened to your presentation and, as Mr. Knowles has indicated, it has been very favourably received and no doubt in due course it will bear fruit.

We thank you very sincerely for your appearance today. I should also tell you that your brief will be printed as a part of today's proceedings; so that, in addition to what you have said, the brief also will be on the record to be read by those who may wish to read it.

Mr. WHITEHOUSE: Mr. Chairman, may I add a word. I would like to try to express our thanks to yourself and to the members of this committee. I am sure I am speaking for the thousands of retired civil servants and widows when I say we deeply appreciate the reception you have given us here today. We came

here under no illusions that we were entitled to be given a hearing. We knew it was not in the terms of reference that you had. The reception we have received we shall take home with us and pass out to all our members across the country.

I know that personally I feel a lot happier that we have Members of Parliament who take a kindly interest in the former employees of this country. Some of you I know personally, some of you I knew before you became Members of Parliament. I am particularly happy that the things which you said and did when you were private citizens you are still doing and saying on the floor of the House. Those are the kind of people that the people of the country want representing them. Thank you for your reception.

AFTERNOON SITTING

THURSDAY, January 21, 1965.

(*Text*)

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mrs. Rideout and gentlemen, we have a quorum. Before we start to interview witnesses, may I say that Senator Croll and Mr. Knowles yesterday asked questions and requested that answers be prepared. Mr. Osborne, our consultant, has handed me the answers to these questions. Is it the wish of this committee that these answers be placed on the record and considered as part of today's proceedings?

—Agreed.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It has been moved by Mr. Francis, seconded by Mr. Munro, that the replies to these questions be placed on the record and form part of today's proceedings.

—Carried.

Mr. MUNRO: Madam Chairman, there are a couple of matters I wish to mention. The Minister would like—and it is mainly Senator Thorvaldson who started this hospitality—to extend to all members of this committee an invitation to the La Touraine, on February 3 at 6.30 p.m. The invitations will be going out, and this of course includes members of the press who are covering the meeting, and staff.

The second thing I wish to mention, Madam Chairman, is with respect to the Clerk of the Committee (Mr. Maxime Guitard). I inquired from him, and he advises me that he has worked approximately 85½ hours overtime from December 21 to January 22 as well as being available at his home and at all other times to facilitate the work of the committee.

In view of this unselfish activity on his part, I wonder if it would be in order that an extra gratuity be paid to him? He indicates that his salary works out at approximately $25 a day, less income tax, and on the basis of the 85½ hours overtime up to today it works out to approximately $250. That is assuming the same amount of overtime for tomorrow, and this brings him right up until tomorrow.

I would like to make a motion to the effect that he be given the extra gratuity in view of his overtime.

The CHAIRMAN (*Hon. Mrs. Fergusson*): You have heard the motion of Mr. Munro, seconded by Mr. Francis that—

The CHAIRMAN (*Mr. Cameron*): There were two seconders, Madam Chairman. Mr. Cantelon also seconded it.

Mr. KNOWLES: Madam Chairman, is that straight time or time and a half?

Mr. MUNRO: If you wish to you can amend it, to make it time and a half. I believe it is straight time. That will be perfectly all right. This is the result of inquiries by myself.

Mr. KNOWLES: Was this collective bargaining between Mr. Guitard and yourself?

Mr. MUNRO: No. I know he worked a great deal of overtime but has received nothing, and the same applied during the flag committee sittings. I did not argue with him one way or the other.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Do you wish to amend your motion?

The CHAIRMAN (*Mr. Cameron*): Madam Chairman, I should like to say a word. As one of the chief beneficiaries, as co-chairman, I am very pleased to hear this motion made by Mr. Munro, and seconded by both Mr. Francis and Mr. Cantelon. I can assure the committee that Mr. Guitard has been the right arm of both my co-chairman and myself in carrying on the activities of this committee and I think it is a well deserved tribute to him for his devotion to his duty.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you.

Mr. MONTEITH: May I say a word, Madam Chairman? As a member of the flag committee, I can agree completely as to the devotion to duty which Mr. Guitard shows.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I am sure we all realize this, and that Mr. Guitard has been attending most regularly and been very helpful to all of the committee, and I think particularly to the co-chairmen.

You have heard the motion. All those in favour please say "aye". Contrary minded? The motion is carried.

The presentation this afternoon is one from the National Legislative Committee of the International Railway Brotherhoods, and it is to be presented by Mr. Huneault, the Chairman. He has some other members associated with him, whom I will ask him to introduce to the committee.

Mr. J. A. HUNEAULT (*Chairman, National Legislative Committee, International Railway Brotherhoods*): Thank you, Madam Chairman. Madam Chairman and members of the committee, we appreciate the opportunity and privilege afforded to us to further explain the brief. Having made a note of the procedure to be employed, and as Madam Chairman has indicated, I would like to introduce, on my left, Mr. Paul Raymond, Chairman of the Canadian National Railways General Chairmen's Association. On my right is Mr. J. H. Clark, Chairman of the Canadian Pacific Railway General Chairmen's Association.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you. I think you probably know, from reading our minutes, that the members have had the brief in their hands, so we do not need to have the brief read again, unless you desire to do so. However, yours is short, and if you prefer to read it, all right. If not, a summary will be sufficient. You can bring out the points you want to consider, and after that questions may be asked.

Mr. KNOWLES: Madam Chairman, I was wondering if Mr. Huneault would like to introduce the other gentlemen who are here so that we could have their names in the record, too.

Mr. HUNEAULT: Mr. H. A. Stockdale, member of the Canadian Pacific General Chairmen's Association; Mr. C. Beckerton, of the Canadian National Railways Pension Committee; Mr. W. Gordon McGregor, Vice-Chairman of the Canadian National Legislative Committee; Mr. E. Streeting, member of the Pension Committee, and a member of the Canadian Pacific Railway; Mr. D. O. Spicer, member of the Canadian National Railways, Pension Committee;

Mr. F. A. Armstrong, member of the National Legislative Committee; Mr. J. S. Wells, a Director of Research of the Non-Operating Organizations, and his assistant Mr. P. L. Miles. That is our complete delegation.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you.

Mr. HUNEAULT: Madam Chairman, I am completely in your hands as to the reading of the brief. As you have mentioned it is, I am sure, very short in comparison to some of the briefs that have been presented to your committee. If it is your desire that I read it I will do so. If not, I will continue with the preliminary stage.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It is immaterial to me. Would the committee like to have the brief read or just a summary given? Apparently the feeling of the committee is that we have a summary.

Mr. HUNEAULT: Thank you, Madam Chairman. As the pension plans of each railway vary to some degree and the application of each is somewhat different, as I have indicated, Mr. Clark and Mr. Raymond will answer any specific questions relative to the different plans.

Our brief contains two basic points, and these are: (*a*) The need for federal legislation relating to private pension plans covering employees in areas under federal jurisdiction; and, (*b*) requirements that adjustments to private pension plans following the introduction of the Canada Pension Plan be subject to mutual agreement through the unions and the railway companies. By that, the unions are not by any means suggesting that there should be full management of the private plans by legislation, but we believe that there are three elements of the private plans that do require governmental regulation. These are: portability; solvency; and proper investment of pension funds.

Subsequent to the preparation of this brief, which the committee has at hand, we are pleased to note that the Minister of Finance, the Honourable Walter Gordon, as appears on page 11310 of *Hansard* of December 18, 1964, committed the Government to legislation relating to the portability and solvency of private pension plans as soon as a wide measure of agreement with the provinces is reached in regard to this situation. We accept this in good faith, and we feel nothing more need be said by us on these two matters.

In regard to the proper investment of pension funds held in trust for employees, we can do no better than quote from the report of the Royal Commission on Banking and Finance, at page 261, which reads:

> We therefore think it desirable that the provincial and federal authorities co-operate in establishing broad investment rules, the first of which should prohibit investment in the employers' own securities or other investments raising the possibility of conflict between the pensioners' interests and those of the fund managers.

In requesting a provision in the Canada Pension Plan legislation that there be no change in existing private plans without the approval of the employees participating in such plans, we have been motivated by the knowledge that at present the respective board of directors of the railway companies hold absolute veto power over the form the pension plan will take. There are separate plans for the Canadian National and the Canadian Pacific railways, each with its own set of rules. Each plan is administered by a committee or board of seven members, four of whom are appointed by the company and three of whom are elected from among the general chairmen of the organized classes of employees of the respective companies. The committee or board has the power to deal with and make recommendations in regard to rules and regulations of the pension plan, subject to their ratification by the board of directors of the company involved.

Under the respective pension plans as we have described them, the employees do not have an equal right to ensure their desires be implemented. Railway employees are not wholly satisfied with the present level of pensions now available to them under their respective plans, and they would welcome the Canada Pension Plan as a supplement to the present pension plan.

At the time that the pension plan was first being discussed by Parliament, our employees became quite anxious as to what effect the Canada Pension Plan would have on their respective pension plans. The Canadian National did issue a certain circular letter to, I believe, all its employees, and, if I am permitted, I would like at this time to read it into the record. It is a very short circular, and it is headed:

> Information of Importance to All C.N. Pension Contributors
>
> C.N. plans not to be replaced by Canada Pension Plan. Combined benefits to be at least equal to C.N. benefits. The legislation to implement the Canada Pension Plan was introduced in Parliament on March 17th and the Government announced that after the Easter recess it will be referred for study to a joint committee of the Senate and House of Commons.

Mr. LLOYD: Which Easter?

Mr. KNOWLES: Easter is a movable feast!

Mr. HUNEAULT: I would assume it was last Easter.

> Since full details of the proposed Plan only became available with the introduction of the legislation, the Pension Board has not had an opportunity to study these details and it will be some time before announcements can be made as to the precise manner in which the C.N. Pension Plans and the Canada Pension Plan will be co-ordinated.
>
> Reports reaching the Pension and Welfare Plans office indicate that some employees are becoming unnecessarily concerned as to the possible effects of the Canada Pension Plan on the C.N. Pension Plans. In the hope that it will relieve the main concerns which have been expressed, Mr. G. P. Hamilton, Manager, Pension and Welfare Plans, has been authorized on behalf of C.N. Management to assure employees that:
>
> 1. The CN Pension Plans will not be replaced by the Canada Pension Plan.
> 2. Any co-ordination between the Canada Pension Plan and CN Plans will relate only to contributions and benefits in respect of earnings and service after the Canada Pension Plan comes into force. It will not affect pension benefits which have accrued to employees under a CN Plan up to that time.
> 3. The combined benefits which an employee will receive under the Canada Pension Plan and a CN Pension Plan will be at least as large as the benefits provided at present under the CN Pension Plan.
> 4. The CN Pension Trust Funds will continue to be held and administered by Canadian National Railway Company in trust for CN employees and pensioners for the purpose of providing present and future pension benefits in accordance with the Rules of the CN Pension Plans.
>
> Further information will be furnished to employees as soon as it is possible to do so.

Relative to the Canadian Pacific pension plan, at its Eighty-Third Annual General Meeting of shareholders held on May 6, 1964, it was stated—and I quote from this report:

To the existing burden of taxation it now seems likely that there will be added payroll taxes to cover the costs of proposed Government pension plans.

Your company established a pension plan for its employees more than 60 years ago—

Your company established a pension plan for its employees more than 60 years ago—in 1902. In 1937 the plan was elaborated to provide for larger pension allowances and for contributions by employees. At the end of last year, 19,500 people were on the pension payroll and the company's share of pension costs, including provisions for future pensions, exceeded $26 million. The entry of the federal and provincial governments into this field will make it necessary to revise substantially the company's longstanding plan to avoid duplication of costs and benefits.

Mr. KNOWLES: May I interrupt, Mr. Huneault, to ask whether the C.P.R. puts out for its employees any leaflets comparable to the one you read from by the C.N.R.?

Mr. HUNEAULT: Not to my knowledge. Perhaps Mr. Clark can elaborate on that.

Mr. J. H. CLARK (*Chairman, Canadian Pacific Railway General Chairmen's Association*): None whatsoever.

Mr. HUNEAULT: As we stated in our brief, we feel that the setup of the different pension plans of the Canadian Pacific and Canadian National could be bettered. The plan is a condition of employment and yet it is not a part of the working contract, and the pension committee, as far as the Canadian Pacific is concerned, and the pension board, as far as the Canadian National is concerned, in any beneficial rules they might introduce, can be vetoed by the board of directors of either railway.

This is why we appear before you today. If it was a matter of negotiations we just would not be here.

This will conclude my initial statement at this time, Madam Chairman.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much, Mr. Huneault. Some of the members have indicated that they would like to ask you questions. Yes, Mr. Prittie.

Mr. PRITTIE: It is obvious that your great fear is unilateral action by the employers concerning the scale of pension benefits. Is it too long a story to say how it is that your pension plans are the way they are? That they are not a question of negotiation? Can this be summarized briefly or is it too long to go into?

Mr. HUNEAULT: I don't believe so. I believe Mr. Clark for the Canadian Pacific and Mr. Raymond on the part of the Canadian National could give us a very good resume of the reason why.

Mr. CLARK: Well, the reason why we don't have it in the collective agreement is that if we were to use our economic strength on it would would have a bill passed for the continuance of railway operation. It is as simple as that.

Mr. FRANCIS: I am sorry, Madam Chairman, but I did not hear that.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Would you speak a bit louder, please?

Mr. CLARK: One of the reasons why it is not in there is that if we put it into the agreement it would be negotiated and we would have to use our

economic strength to bring it about and then we would be faced with a continuance of railway action such as has been done in the past years. I am talking about the Railway Continuation Act.

Mr. BASFORD: I am afraid Mr. Clark has lost the committee on that one.

Mr. KNOWLES: That was put in in 1950 before you came here.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Does that answer your question?

Mr. PRITTIE: I can see that the Railway Continuation Act is not understood by various members of the committee, but I don't know much about it myself, but I would like to ask another question. Are the contributions of employers and employees equal in your pension plans, generally?

Mr. CLARK: The contributions at the present time are 6 per cent by the employees and the Canadian Pacific Railway pays its portion of the pension out of the current revenue.

Mr. PAUL RAYMOND (*Chairman, Canadian National Railways General Chairmen's Association*): The Canadian National pension plan booklet dealing with the rules of the pension plan scheme does not specify the percentage to match the employee's contribution. As of January 1, 1959, all employees hired on Canadian National must, under the pension rules, contribute the equivalent of 5½ per cent of wages towards pension benefits. However, in the Canadian National pension plan there are no provisions whatsoever for the Canadian National to match that percentage required to be paid by the employees hired as of the date that I mentioned before.

Mr. PRITTIE: I realize that there is probably a large number of plans because you represent a great number of trades and levels of income. Is there any general percentage that a railway worker receives going on retirement now? That is, a percentage of former income?

Mr. CLARK: I will explain that to you, if you like.

Mr. PRITTIE: Thank you.

Mr. CLARK: Ours is a compulsory plan; it is a condition of work for those entering the service after 1937. The calculation for all services prior to January 1, 1937 is on the basis of 1⅛ per cent. For all services subsequent to 1937 the calculation is on the basis of 1¼ per cent.

Mr. MONTEITH: Of annual income?

Mr. CLARK: No. In order to calculate the pension you take your last five years that you have worked under Rule 17. Rule 17 says that you must work one day in that month in order to have that month qualify for your pension. So, therefore, it would be the same as taking the last 60 months of work. You take the average salary for your last 60 months and multiply it by your percentage of service.

Mr. CANTELON: This is a percentage of years of service?

Mr. CLARK: It is a percentage of your years of service because if you take your service prior to 1937 and take your percentage on that, let us assume it was a 10-year period, well you would take 1⅛ per cent on that and then your service subsequent to 1937 would be 1¼ of it.

Mr. PRITTIE: Is the C.N. somewhat similar?

Mr. RAYMOND: On the C.N. we have in addition to the present plan what we call the 1959 plan, which covers at the present time approximately 65,000 employees out of a possible total of 90,000. This 1959 plan provides for one-quarter per cent for the first 30 years of accumulative service, and one-half per cent for each following year.

The pension benefits are broken down on this basis, and I will read you Rule 7, paragraph (1), which explains clearly how the pension is determined:

> 7. (1) Every contributor who reaches normal retirement date shall be granted a pension, the monthly amount of which shall be a percentage of his average monthly compensation for his last sixty months of allowable service or for any five consecutive calendar years, whichever is the larger, computed as follows:
>
> 1% for each year of allowable service up to twenty years
> 1¼% for each year of allowable service during the next then years
> 1½% for each year of allowable service over thirty years.

Then we have what we call the 1935 plan. This is a different arrangement. The employees may contribute 5, 10 or 20 per cent of their wages, but the railways will only match it to 5 per cent. Then, under this pension plan of 1935, you buy equities based on five years, 10 years or 15 years of guaranteed equities. Then you have in the east also what is called the old I.C.R. plan, for which the employees pay, I believe, 1 per cent of their salary, or a given percentage of their salary, and are entitled to 1 per cent for each year of allowable service to reach the calculation of determining their benefits. This pension dies with the pensioner.

Mr. PRITTIE: Well, what I was trying to work out in the latter case is where an employee has been working for the C.N., for instance, since 1935 or thereabouts, and is going on retirement this year, or was going on retirement last year. Now, my arithmetic is rather poor. What percentage does he get from this five-year period?

Mr. RAYMOND: You mean the percentage which is his or the money?

Mr. PRITTIE: No, the percentage of his earnings when he was a railway worker.

Mr. RAYMOND: Presuming that the employee at the age of retirement has had 45 years of allowable service, he will have under the percentage that I have mentioned before an equivalent of 60 per cent of his salary. If the employee has 40 years of service he will have the equivalent of 52.5 per cent of his wages as mentioned before under article 7.

An employee having 35 years will have the equivalent of 45 per cent of his wages based on the last 60 months or consecutive five years, whichever is greater. An employee with 30 years will receive 37.5 per cent; an employee with 25 years will receive 31.25 per cent, and an employee with 20 years' service will have the equivalent of 25 per cent of his wages. Now, this gives you quite a good look at what would be the rates of pension that will be applicable to people within those groups.

Mr. PRITTIE: Yes. I wanted to try to get the general percentage level that they were drawing. Obviously, your contention is that the benefits from the Canada Pension Plan added to the existing pensions would not be too great in view of the unilateral action of the railways.

Mr. CANTELON: I have a supplementary question, Madam Chairman. Your members would be happy to pay what I calculate to be 8 per cent of their wages, if they want to add on top of the Canada Pension Plan what they have now?

Mr. HUNEAULT: That is correct. The people we represent are quite anxious that the two plans—the railway plan and the Canada Pension Plan—be kept separate and apart, or be divorced one from the other, in order that the Canada Pension Plan would supplement their present pension plan.

Mr. PRITTIE: I have one further question, Madam Chairman. Is there any element of portability. If you leave one railway and go to another do you take the pension with you?

Mr. CLARK: None whatsoever.

Mr. RAYMOND: On the Canadian National we have a certain clause in our 1959 pension plan. It is Rule 21 which deals with the reciprocal transfer agreement, and it reads:

> (1) Every contributor who may be eligible for benefits under a reciprocal transfer agreement may request the Company to make a remittance in respect of him in accordance with such agreement, in lieu of the refund to which he may be entitled under these rules.

This agreement is subject to certain negotiation with the other party involved, with the Canadian National, and as you are probably aware we do not have this agreement applicable with other industries. It is only with specific Crown corporations.

Mr. CANTELON: Thank you.

Mr. MONTEITH: I have a supplementary question. I think Mr. Raymond mentioned those figures down to 20 years. Would you give me the figure for 20 years again?

Mr RAYMOND: Yes, 20 years would be 25 per cent.

Mr. MONTEITH: Anybody leaving the employ of the railway prior to that —what happens to their interest in the pension fund?

Mr. RAYMOND: It all depends. I have to be careful in my answer because I would like you to have a full picture of the problem. We also have within our 1959 pension rules of the Canadian National a section that deals with a deferred pension. Under this clause an employee with 15 years' allowable service, and whose age and years of service add up to 60 or more—that is, an employee who has 15 years' service and is 45 years old—on leaving the railway either by resignation or dismissal can request to have his moneys invested in the plan left in the plan, and to receive whatever benefits this will accrue to him at the time he would normally reach retirement age, which is 65. If he does not have a total of 60 years or more then the employee must withdraw it.

Mr. MONTEITH: And he withdraws his own share only?

Mr. RAYMOND: Yes, plus—

Mr. MONTEITH: Does he get the company's contribution also?

Mr. RAYMOND: No. Under this plan he does not get anything from the Canadian National. He gets only his money plus the interest that has accrued to his funds, and which is controlled and specified in the booklet.

Mr. MONTEITH: But if he has 60 years then does the amount that goes into the future plan have included in it the company's contribution?

Mr. RAYMOND: For all employees who have entered the service prior to January 1, 1959 it is acknowledged that the railways will have definitely to pay something towards it. However, we on the Canadian National Pension Board are of the opinion that subsequent to January, 1959 all employees paying into the fund, and projecting ourselves into the long term approach—50 to 60 years from now—we feel that employees solely will be contributing to the plan.

Mr. HUNEAULT: I believe, Madam Chairman, there is one point here that should be clarified as far as the Canadian Pacific pension is concerned. With respect to anyone who had service prior to 1937 and who is not a contributor at the present time, that portion of the pension plan will be paid entirely by the railways.

Mr. CLARK: Even if he is a contributor, that portion of the service prior to 1937 is paid solely by the railways.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Munro?

Mr. MUNRO: Madam Chairman, I wanted to ask the gentleman here something about this aspect that Mr. Prittie was pursuing, namely, the Railway Operation Continuation Act, as I believe it is called. I acknowledge that I should have considerably more knowledge about it than I have, but perhaps the gentleman can tell me in a very summary fashion the effect of that legislation so far as the railways are concerned.

Mr. HUNEAULT: Madam Chairman, at the time that the negotiations broke down we had gone through conciliation, and we were preparing to withdraw our services from the railways. The Government passed legislation which is known as the Railway Operation Continuation Act which forced us back to our jobs, and a settlement was reached—I do not know whether I am correct in saying this—with the help of the Government.

Mr. RAYMOND: With the intervention of the Government.

Mr. MUNRO: I understand that you can strike, but then certain provisions of the act are implemented which would force you to go back to work?

Mr. HUNEAULT: That was done under this act passed by Parliament—the Railway Operation Continuation Act.

Mr. MONTEITH: Was it not only to apply during a certain period?

Mr. KNOWLES: I think the gentleman can confirm what I am saying, but the act itself applied to only that one strike. When that strike was settled that act was finished. What I think they are saying is that they know that if another strike was called it is likely that there will be a similar act passed by Parliament. This took place in september 1950.

Mr. MUNRO: This would be irrespective of what government was in office?

Mr. KNOWLES: Well, there was a Liberal Government in office in 1950. Senator Croll was in the House at that time, and I think he and I voted against the legislation.

Mr. MUNRO: Then, your feeling is that one of the reasons why pensions have never been a subject matter of negotiation as far as the railway unions are concerned is that you feel if you could not come to any agreement with your employers with respect to pensions—and that might be the only contentious point in your negotiations—and you decided to go out on strike, there might be further legislation of this kind implemented? Is that your position?

Mr. HUNEAULT: Yes, having had that experience back in 1950 we are living under the shadow that a similar act could again be passed, and if, as you say, the only subject was pensions then it would be useless for us to negotiate.

Mr. MUNRO: The reasoning then seems to me that you want to cut down the ambit of the subject matters of negotiation in order to prevent this possible type of governmental action?

Mr. HUNEAULT: No, I do not think that is a correct statement. On numerous occasions—and I can be corrected by my colleagues here on the pension committee—we have attempted to negotiate a pension plan, and the railways have refused.

Mr. CLARK: We have been seeking the benefits in there, but to no avail. If there are things that cost anything then when you appear before the board of directors you do not stand a chance of getting them.

Mr. RAYMOND: There is another important fact that should be drawn to the committee's attention. On the Canadian National our association represents at least 70,000 scheduled employees, but the pension plan is not restricted only to the scheduled employees. It is also applicable to the supervisory force, the

members of which are not a part of the bargaining agent. They total 20,000-odd at least on the Canadian National, and make up a part of the management which must be represented, I realize, by another party than this organization. But, when we deal with any given matter with respect to our pension plan we do not look at it only on behalf of the employees we represent. We look at it in the perspective that all employees of the Canadian National should receive the greatest benefit that can be obtained. Now, if we were going to negotiate an agreement—and we would like to negotiate an agreement that would control pensions—we would also have to take cognizance, I presume, of the fact that those people who are not actually represented in a collective agreement would also have to be incorporated in the general scheme of that pension plan. I would suppose that the same requirements would have to be made by the C.P.R. General Association if ever we can negotiate our pension plan.

Mr. MUNRO: In other words, the people who would be directly affected in this case in successful negotiations would benefit from the work you have done in order to improve the situation?

Mr. RAYMOND: Yes.

Mr. MUNRO: I do not think this is unusual in many other cases. The effort that you have put forth to improve the situation would benefit others who are not members of your union?

Mr. RAYMOND: We certainly have no objection to looking after the benefit of other workers who are not under our certification. I would be glad to emphasize that. We would acknowledge it as part of our responsibility.

Mr. MUNRO: Given the very worst possible situation—termination of your agreement and a series of negotiations taking place between yourselves and your employers that resulted in no settlement, and a strike being called, and the Government subsequently forcing you back to work—what happens then, after you are forced back to work? Do you not go to some further type of negotiation, resulting in some type of arbitration process?

Mr. HUNEAULT: In reply to that, we have only one occasion on the railways where we did have legislation which forced us back to work, and any subsequent negotiations between the parties and the Government resulted in an agreement.

Mr. RAYMOND: In 1960 we had a recurrence. A bill was passed to force us to go back—or, rather, to prevent us going on strike.

Mr. MUNRO: Before you had actually gone on strike?

Mr. RAYMOND: Yes.

Mr. MUNRO: And what followed was a meeting between the company and yourselves and you eventually arrived at some agreement or some negotiations must have been carried out?

Mr. RAYMOND: Arbitration.

Mr. KNOWLES: In 1960 Mr. Justice Kellogg was appointed to arbitrate, but the legislation specified a maximum and a minimum. In other words, he had an area in which to arbitrate. As I recall, he gave you all he could.

Mr. CLARK: That was 1950.

Mr. RAYMOND: But in 1960 it was a different problem?

Mr. KNOWLES: You were stopped?

Mr. RAYMOND: Yes.

Mr. CLARK: And it was postponed for about six months?

Mr. MUNRO: Madam Chairman, probably I am pursuing this point too far, but I am wondering why pensions are not included as a negotiable item, even if it does result in a process of which one does not approve, even if it should

result in some type of compulsory arbitration. In a sense, it would be just one of many items that would be settled by arbitration, is that not so?

Mr. RAYMOND: No, it is much more complicated than this. First of all, under the requirements of the Canadian laws, when our general conference, at least non-ops, serves notice, it has to be agreed on a certain platform as to what we will be seeking. The other group, the operating group of employees, are under their individual contract and until such time as all the non-ops and the operating groups contracts expire on the same day, we cannot join together to serve a similar notice to the railways to the extent that we wish to have negotiations in respect to the implementation of pension plans. Under the Canadian law we cannot do a thing about it. I presume the railways are taking advantage of this.

Mr. MUNRO: In essence, you are following the theme of industry wide bargaining as far as the railways are concerned.

Mr. RAYMOND: Actually at the present time our hands are tied. We cannot negotiate our pension plan because of the requirement of the Canadian laws.

Mr. MUNRO: This business of different sets of employees belonging to different unions within a railway industry, and these different categories of employees with different agreements and different termination dates, is that what you are referring to?

Mr. RAYMOND: That is one.

Mr. MUNRO: The correction of this situation, certainly to a degree, would lie in the area of interior co-operation between the unions involved? I emphasize to a degree, and suggest to a considerable degree.

Mr. RAYMOND: I would suggest that if the Canadian laws would allow us to do so and if the railways would be agreeable to meet with us, we would surely sit down and try to negotiate something with them. We are prepared to put aside the requirements, the rigidity of the law in this respect, by mutual consent. However, the railways have not responded to our desire to meet with them and they say they feel we must remain within the context of the law.

Mr. MUNRO: I am seeking this by way of information. There is no law preventing combined co-operative effort between all the railway unions in an endeavour to negotiate future collective agreements, so that they have the same termination.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are you making a statement?

Mr. RAYMOND: Under the law, to my knowledge you cannot negotiate anything out of the master agreement that has been reached, without the mutual consent of both parties. Let us say that our present agreement expires on December 31, 1965. If we would wish to negotiate something else not provided for in the agreement that was agreed to, say, on December 31, 1963 for a period of time 1964 and 1965, and if the railway did not want to do it, they would say "Under the law we have the right to force you to remain within the scope of the agreement we have reached, and therefore we do not want to meet with you to discuss this." Do you follow me? This is the law that gives them that right, and of course the law gives us the same right. We are prepared to meet with the railway whenever they wish it, but they are not prepared to meet us.

Mr. KNOWLES: It comes under the Industrial Relations and Disputes Investigation Act.

Mr. MUNRO: In railway unions desiring some type of federal activity in the area of private pension plans, in those industries that fall within federal jurisdiction, especially the railways—I take it you want the federal Government to intervene in this area, to ensure that the pension plan rights of your employees are fully protected and that these pension plans are fully portable. Is that a fair statement generally of your desire?

Mr. HUNEAULT: Yes, it is. It is our desire that the Canada Pension Plan be made a supplement to the existing plans, that is, those plans coming under federal jurisdiction. We have no objection to other plans, if they wish to integrate, but in our case we do not want—or our employees, whom we represent, do not want—integration of the Canada Pension Plan with the existing private railways plans.

Mr. MUNRO: One of your recommendations seems to be quite distinct from another. In one area you are recommending that the Canada Pension Plan benefits and contributions and so on be supplemental to your own private pension plan. I understand that recommendation. I take it, in another recommendation here distinct from that, you are asking for regulation of private pension plans coming under federal jurisdiction—presumably to be sure that all those plans have uniform features, so that there is portability between them. Am I correct in that?

Mr. HUNEAULT: You are. That is the statement we are making.

Mr. MONTEITH: Does solvency come in there at all?

Mr. HUNEAULT: Yes, we have mentioned solvency in our agreement.

Mr. MONTEITH: In this particular category?

Mr. HUNEAULT: Yes.

Mr. MUNRO: In view of the fact that a huge area of the whole private pension plan does fall under provincial jurisdiction, granted with the exception of those industries that fall within federal jurisdiction, all other pension plans and private employers' plans and so on fall within provincial jurisdiction—the railway unions feel that full portability and uniformity is a desired end in the private pension field? They would want their private pension plans to be uniform with other private pension plans in the private area of economy also? Would that be correct?

Mr. HUNEAULT: What we are asking for in this particular case is that the private pension plans now in existence in the Canadian railways be made subject, under regulations, to the mutual agreement between unions and companies.

Mr. MUNRO: Yes, but are you not concerned also that they be uniform and portable with other pension plans in areas completely outside the railway, presumably with the end that your employees could have freedom of mobility in regard to where they take jobs?

Mr. HUNEAULT: Yes, in view of the fact that the regulations in private pension plans, the portability and solvency, is a matter for some private pension plans under provincial jurisdiction, we are asking that similar application be made to private pension plans coming under federal jurisdiction.

Mr. MUNRO: In other words, it is the desired end to have all pension plans, irrespective of whether they fall within the provincial jurisdiction or the federal jurisdiction, be uniform?

Mr. HUNEAULT: That is right.

Mr. MUNRO: Along that line, Madam Chairman, from the suggestion in the brief, I wonder if I would be in order to ask Mr. Osborne, the research director advising the committee, if he could inform the committee up to date of the activities which have been taken on behalf of provincial and federal governments to accomplish this end, because I think the railway workers—unions, should be advised of it, and I would appreciate comments with respect to this activity.

Mr. OSBORNE: Is it your wish, Madam Chairman?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes.

Mr. OSBORNE: Madam Chairman, as honourable members know, the Ontario Pensions Benefit Act, the most recent version, provides for the portability of pension benefits, and solvency of pension plans in the province. It does not provide for uniformity of benefits, but does provide, within certain limitations, that pension benefits will be portable. That is, the employer contribution will be vested and the employee contribution locked in.

The province of Quebec introduced a resolution into the Quebec legislature that not only would provide a contributory public pension plan for the residents of the province, but also provide for portability and solvency of private pension plans within the province.

The Manitoba government also expressed interest in this field and had draft legislation on the books, which was later withdrawn.

At Ontario's request, representatives of all the provinces, and observers from the federal government, met in Toronto on October 16 to discuss the question of achieving uniformity of pension plan portability and solvency requirements across Canada. It was agreed that draft legislation would be prepared by a subcommittee, with the hope that such legislation might be acceptable in all provinces. The subcommittee completed the draft legislation, and earlier this week a group representing the provinces, with observers from the federal government, attended a second meeting in Toronto to discuss this draft legislation.

I think that brings the members of the committee up to date, as far as I am aware of the developments.

Mr. CANTELON: Madam Chairman, would that mean that if a diesel engine fireman did not like his job and wanted to transfer, perhaps to Ontario he could go to work for Massey Ferguson in the shop and his pension be transferred from the railway to Massey Ferguson, and it would continue?

Mr. OSBORNE: Madam Chairman, the actual arrangements whereby portability would be achieved would not necessarily require that his pension rights be transferred from a former employer to a new employer; but he would not lose the rights that he had acquired. It may be that on retirement he would receive two or three or four pension cheques from different plans. He would not lose those rights.

Mr. MUNRO: It would be a question of jurisdiction.

Mr. OSBORNE: In further answer to Mr. Cantelon, he referred to a diesel fireman, I believe, who is a railway employee. The additional problem here is what jurisdiction the railway employees are under. If they are under federal jurisdiction, naturally the provincial legislation would not be effective for them, and this I understand is why the Brotherhood are looking for federal legislation, presumably legislation which would parallel any legislation adopted by the provinces, for employees of companies under federal jurisdiction, if such there be.

Mr. KNOWLES: And presumably this is what Mr. Gordon forecast in his statement to the house, to which the delegation has already referred.

Mr. LLOYD: Madam Chairman, may I ask a supplementary question?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes.

Mr. LLOYD: Madam Chairman, at these conferences did discussions take place on the question of providing employees with the right to be consulted on proposed legislation for pension plans?

Mr. OSBORNE: I do not feel at liberty, as a federal observer at one of the conferences, to go into details on what was discussed or not discussed. To the best of my recollection the question of how portability—well, I am not sure I understand the question completely.

Mr. LLOYD: I sympathize with you. As I understand it, at these conferences, I understand permiers and officers have all discussed the wisdom of establishing uniform private pension plans across Canada?

Mr. OSBORNE: Not premiers.

Mr. LLOYD: Well, officials. For my purposes, all I want to know is, those that are considering legislation to standardize private plans, have they at any time discussed this question of providing for employees a right to be consulted in any of the matters that would be the subject matter of legislation by provinces?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Perhaps Mr. Osborne is not prepared to make a statement on this.

Mr. OSBORNE: I would like to add one point. The proposal was that the Ontario Pension Benefits Act would be roughly the model for provincial legislation, with possible changes. In the development of the Ontario Pension Benefits Act a great many people were consulted. There was a commission which sat for two or three years studying this question and hearing briefs. They heard briefs from representatives of labour organizations as well as from management and other interested parties. To that extent the general opinions of employees, through their representatives, were obtained by the commission that made the recommendation to the Ontario government that led to the establishment of the Ontario Pension Benefits Act.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are you going further along this line, Mr. Munro? Because it seems to me definitely that we have a recommendation on page 1, article 5, from the delegation that is before us, and we can hear what they have to say, and then we can go over the act again, deciding what we will recommend. So it seems to me that is the time we should make that investigation about what has happened up until now. Do you not think so?

Mr. MUNRO: I agree, Madam Chairman. However, just from the point of view of gaining information, I wanted to find out this difficulty as outlined in the brief with respect to private pension plans and how the railway workers have related that to the Canada Pension Plan.

My only other question in this area that I wanted to speak, just to make it clear, and it does affect the pension field, is that if my understanding is correct, you regard the Industrial Relations and Disputes Investigation Act provisions are obstacles to your desired end of obtaining industry-wide bargaining in the railway industry.

Mr. HUNEAULT: Yes, Madam Chairman. The Canadian Pacific plan and the Canadian National pension plan cover all their employees under the different contracts; and, as Mr. Raymond indicated, the expiry date of the agreements do not permit us to negotiate or serve notice under the Industrial Relations and Disputes Investigation Act, which does not permit us the right, when one group, the non-operating group, as was referred to, to serve notice jointly; but the running trades so serve their notices at different times on separate notices. This is the one barrier. It prevents the serving of notices to include the pension provisions as a bargaining matter.

Mr. MUNRO: I am very interested to obtain the information that the railway unions have informed us of today, and I think the difficulties we are experiencing, so far as the private pension plans are concerned, are certainly enlightening and bear looking into. I am glad that they brought it up in their brief for this purpose.

The only remaining question I have—but I am sorry for continuing so long—is that I take it that aside from your particular problems in the area of private pension plans and your understandable desire to have the Canada

Pension Plan supplemental to your private pension plans, you are very much in favour of the provisions of the Canada Pension Plan and it has your wholehearted backing?

Mr. HUNEAULT: I believe, Madam Chairman, we did make that statement in our brief. However, I would want again to come to the point where in my opening remarks I stated that the Minister of the Crown had made this statement that, as we understand it, there is provincial legislation affecting private pension plans, and we took it for granted that the minister's statement was in good faith, and we did not make any comment on that particular feature, because we assumed the minister made the statement in good faith, and we felt that there was nothing more to be said on that particular point, and that as soon as the major agreement was reached with the provinces, the federal government would have legislation comparable to the provinces, which would solve that problem for us.

Mr. MUNRO: I think you have heard today from Mr. Osborne, the efforts that the federal Government is now undertaking to accomplish this end?

Mr. HUNEAULT: Yes, I have.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Raymond has pointed out to me that section 3 on page 1 of the brief definitely sets out that our witnesses think there is a need in Canada for this type of plan, such as outlined in Bill C-136, and that they favour the principle of contributory wage-related plans under Government auspices.

Mr. HUNEAULT: Yes, that is our statement.

The CHAIRMAN (*Hon. Mrs. Fergusson*): This is definitely your statement?

Mr. HUNEAULT: Yes, that is our statement.

Mr. RAYMOND: This is the answer to your question: It is *Hansard* and paragraph 3, as stated by you, Madam Chairman.

Mr. KNOWLES: Madam Chairman, may I put two questions to Mr. Huneault and his colleagues? First of all, when you ask for legislation of the kind the Minister of Finance has now promised—and we both accept his word on that—legislation protecting pension plans of workers who come under federal labour jurisdiction, do you do so in light of any experiences you have had that make you feel this kind of legislation is necessary?

Mr. HUNEAULT: Yes, we feel our pension plans—and I think we have indicated that in our brief—are not wholly satisfactory. We are not wholly satisfied with the benefits from them, and we would welcome the Canada Pension Plan as a supplement.

Mr. KNOWLES: I am sorry, but I am not speaking about that part, the supplement. I will come to that in a moment. I am talking about the legislation you are asking for to protect the solvency and portability of federal pension plans. Have you had any experience which has led you to fear that any of your pension plans or pension funds might not be as fully protected as you would like them to be?

Mr. HUNEAULT: Yes, and I would like to refer that question to Mr. Clark, who could possibly make a statement relative to Canadian Pacific Railway.

Mr. CLARK: Under the Canadian Pacific's plan, if an individual leaves the company prior to securing a pension, all he gets in return are the contributions that he made, without any interest or anything else. There is no part of the company money in there whatever.

Mr. MONTEITH: This is where it differs a little from the C.N.?

Mr. CLARK: Yes, it does differ a little bit in that respect. If you are looking at the solvency of the fund, you know there have been some things appearing

lately in some of our papers across the country, where there have been a number of eyebrows raised, if you want to put it that way, as to the trustee manipulation of the fund. There was a fair statement made in the paper that in the case of central Del Rio there were some 400,000-odd shares changed hands directly from the Canadian Pacific Pension Trust Fund to the Canadian Pacific investments. There is one research bureau that works for the two factions, if you want to put it that way, and I guess it is easy to make the transfer.

Mr. KNOWLES: It is this kind of thing, the facts of which we do not really have, that you want to prevent—

Mr. CLARK: Yes, we want to stop it.

Mr. KNOWLES:—by the kind of legislation you are asking for—and I need not pursue it?

Mr. CLARK: Yes.

Mr. KNOWLES: You said that Mr. Gordon said the federal Government is going to bring in this kind of legislation, and you are prepared to wait?

Mr. CLARK: Yes.

Mr. KNOWLES: Not too long, we hope.

Mr. CLARK: Yes, not too long, we hope.

Mr. KNOWLES: I would like to ask some questions about the other part of your recommendation, namely the suggestion that the railway workers really want the Canada Pension Plan on top of and not as a substitution for part of your present plans. I think you have made it clear that you want it. You made it clear in your answers to Mr. Cantelon that you are prepared to pay the extra costs, but perhaps on that point I might ask a question on detail. You now pay 5½ per cent?

Mr. HUNEAULT: On the Canadian National, and 6 per cent on the Canadian Pacific.

Mr. KNOWLES: That is on gross income?

Mr. HUNEAULT: Yes, that is right.

Mr. KNOWLES: So that if the Canada Pension Plan is added, without any diminishing of the railway plan, you would pay another 1.8 per cent, but not on the whole of your income?

Mr. HUNEAULT: Under the Canada Pension Plan, as I understand it, Mr. Knowles, we would be paying 1 per cent on the maximum of $5,000.

Mr. KNOWLES: 1.8 per cent above $600.

Mr. HUNEAULT: Yes, 1.8 per cent above $600.

Mr. KNOWLES: So it would not bring your effective rate from 5½ per cent to 7.3, or from 6 per cent up to 7.8 per cent, but to something less than that?

Mr. HUNEAULT: Yes.

Mr. KNOWLES: But whatever it is, the employees for whom you speak are prepared to pay the extra in order to get the extra pension?

Mr. HUNEAULT: Yes, that is a correct statement.

Mr. LEBOE: A good many of the railway employees I am acquainted with, that are new on the job, feel even the 5½ per cent and the 6 per cent is quite a heavy drag. Have you anything in your experience that would bear that out? This is what they tell me, and I have travelled many miles up in my country in a caboose or on the engines. I am talking particularly of the running trades.

Mr. HUNEAULT: Mr. Leboe, as far as I am concerned, I have heard no complaints, and I am sure my two confrères here would state similarly. You have had no complaints about the 5½ per cent on Canadian National or the 6 per cent on Canadian Pacific?

Mr. CLARK: One thing would bear that out, is that prior to 1937 we did not have the plan, and then for those entering the service after 1937 it was a condition of employment. Then, from time to time we had various numbers of requests from those individuals who did not see fit to sign up in the plan, and they continually kept making this request. In 1949 they did open the plan up again, and quite a number of employees did come in under the plan again. We are still having that same request being made. So to say, then, Mr. Leboe, that anybody bears out the fact of your statement, they must be way in the minority.

Mr. BASFORD: The problem is Mr. Leboe travels on the provincially owned P.G.E.

Mr. LEBOE: No, it is the Canadian National I travel on.

Mr. BASFORD: The employees there are very concerned about the way the premier and Mr. Gunderson are managing the pension plan.

Mr. LEBOE: Let us keep politics out of this. I travel on Canadian National, and I think the witness is for it. It has been a personal experience of mine that while they feel they are paying enough they wouldn't want it to go any higher. This is with the younger people. I notice from your statement, after a few years when they get a few years on the railway and they get their house half paid for, their car paid for and other things, I think they change their minds a bit.

Mr. RAYMOND: I think I would be very well qualified, with Mr. Huneault, to truthfully answer your question, because I suspect you have been travelling on the C.N. caboose.

Mr. LEBOE: That is right, and the engine.

Mr. RAYMOND: By virtue of my position I am in receipt of correspondence from all affiliated unions, in fact all unions, operating and non-operating, working on the Canadian National. The statement you made is true, but it has to be qualified. The Canadian National employees, from the file at my disposal, are paying too much at present, the 5½ per cent, if you consider the benefits available to them under the present plan. This is their position. They feel this, and we have a whole lot of resolutions pending. It has been submitted to our association by those organizations to the effect the present rate of 1¼ per cent for the first 30 years and 1½ per cent for the subsequent years should be increased to a flat 1½ per cent for all years, and, if possible, at 2 per cent per year. If you take it in this context, yes, the Canadian National employees are not satisfied, and they feel they are paying too much at the present rate, because they feel they should have more benefits for the percentage of wages they pay towards their pension plan. Is that clear?

Mr. LEBOE: Yes, thank you.

Mr. KNOWLES: I take it we have at least got the other point clear, and that is that the employees do want the Canada Pension Plan added to what they are now obtaining for themselves by way of pension. Perhaps you have said it already, but I think it would be useful for me to put this question to you: Do you ask that the Canada Pension Plan legislation absolutely prohibit railway employers from cutting back their own pension plans when the Canada Pension Plan comes into effect, or are you asking that the legislation require that there be consultation between employers and employees on this point?

Mr. CLARK: I believe that the statement that I did make was to the effect that any changes that would be made subsequent to the Canada Pension Plan coming into effect would be a matter of consultation between the unions and the railways. That is the statement that I made.

Mr. KNOWLES: You are prepared to recognize that some other employees in other industries might be quite happy to have integration, but speaking for the railway employees, you want what we call decking?

Mr. CLARK: That is right. I believe I also made the statement, Mr. Knowles, that I understood the superannuation of the civil service group was being worked out, and I said we had no objection to any other private pension plan coming under federal jurisdiction to be integrated if they so desired. What the railways are actually asking, though, is that if there is going to be integration we should be consulted first on it. There should be mutual agreement on it.

Mr. KNOWLES: Despite the fact that you have been effective in collective bargaining, this is an area where you would like to have it, that is, bargaining on the Canada Pension Plan. There is a great temptation to ask questions concerning the depression of a great number of years ago, 1910 or 1920, about pensions that were designed because of strikes and so on, but I think we might have an interesting visit with John Munro some day and tell him about this and how much this question means to people now. However, I will not ask any questions about that, but will confine myself to this question. Are all the employees of the two railways—and I ask it first of Mr. Clark and then Mr. Raymond—now in the pension plans? Are people who are now in the railways included in the companies' pension plans?

Mr. CLARK: No, we have a number on the Canadian Pacific who are still not.

Mr. KNOWLES: Tell us how many, and relate that to the total.

Mr. CLARK: I'll just have to look up those figures.

Mr. RAYMOND: While Mr. Clark is looking for his fact, I can give you the Canadian National figures. Generally speaking, pensions which we have cover approximately 90,000-odd employees in the Canadian National—somewhere over 90,000. Over 65,000 of these employees are covered by what we call the 1959 plan. There are about 6,300 employees who are covered under the old 1935 plan, that is, those that have guaranteed equities, and then there are about 1,000 of them who are under the old I.C.R. plan in the east, and then there are approximately at least 18,000 employees who are under the old 1935 plan but who were non-contributors and therefore are only allowed a basic pension of $25 a month now. So the question you are asking me, Mr. Knowles, is answered this way: You can see very accurately that there are over 65,000—between 65,100 and 65,200 employees—who are contributors to the 1959 plan, and there are about 6,200 or 6,300 employees contributing to the old 1935 plan, that is the guaranteed equity, and there are about 700 employees under the old I.C.R. plan, and there are over 18,000 employees whom we term non-contributors of the 1935 plan which allows them a basic pension of $25 a month. This pension dies when the pensioner dies.

Mr. MONTEITH: Was this their choice?

Mr. RAYMOND: Yes, for various reasons they had determined, deemed it necessary not to contribute because at the time these Canadian National employees, specified within this 18,000, were required to commit themselves to pay back their deficiencies, which amounted to several thousands of dollars in several cases. In most cases it was at least $3,000, and most of them, I would say, were part of those 1918 or 1922 men, or 1930 employees who were laid off through the depression time.

Mr. CLARK: In October of 1964 we were trying to see what the effect of the question that you have just raised might be on some of the individuals and the number of employees not eligible and presently in service, and I took it from only the age of 50, but I took the male and female, and from 50 to 64 it is 4,086 males, and for females from 50 to 64 it is 680, bringing a total of 4,766.

Now, I have them year by year, but I just gave you the totals there.

Mr. KNOWLES: In other words, the total picture we are getting from representatives of both railways suggests that the common notion that people have that rail workers are sort of the elite in terms of pensions is a notion which needs to be modified.

There is room for improving your pension scheme and this is one of the reasons you are so keen to have the Canada Pension Plan in addition.

Mr. CLARK: Yes, there is also another reason too. Some three or four years ago we were then seeking improvements on the Canadian Pacific plan, and the wind, if I might say it, came along and there was this possibility of a Canada pension, and up until that time there was the possibility of us receiving some of the benefits for which we asked, and one was, namely, an increase from 1¼ to 1½ per cent. Since the wind of the Canada pension plan came in they don't want to make the move now until they find out exactly what the cost is going to be of the Canada Pension Plan. If they are going to integrate them, then from where I am sitting at least it would be tantamount to our paying the railway portion, or at least the greater portion of it by integration.

If we don't get the benefits because they have that added burden of the Canada pension, then we are not going to get the benefits in there.

Mr. KNOWLES: I gather you would like to get this question settled as soon as you can.

Mr. CLARK: I certainly would.

Mr. KNOWLES: So you would know where you are. I have just one question. Mr. Huneault, I have seen you around a number of the sessions of this committee and I noticed you were here this morning when representatives of retired civil servants pledged the case of former civil servants already retired.

Would there be something parallel to this on the part of railway workers? Would they find themselves spoken for by these civil servant representatives?

Mr. HUNEAULT: I was quite impressed by the evidence given by the witnesses this morning, and I was also impressed by the fact of the members of the committee in the manner in which they were received. I do say that they were speaking not only on behalf of their own organization; they were speaking for Canadians as a whole, which includes the railway people.

Mr. RAYMOND: Could I add one comment following the question of Mr. Knowles?

I would like to direct your attention, Mr. Knowles, and the committee's, to the Canadian National—and I think it is the same thing for the C.P.R., and Mr. Clark can vouch for that—that one of the main things that we must not lose sight of is this: Canadian National employees contributing to any given plan cannot under the requirements of the rules withdraw their contributions now. It is on a compulsory basis to all contributors. At the time these people chose, say those 65,00 employees to whom I have referred before—at the time these people committed themselves to specific regulations based on certain benefits and the hope to further improve those benefits. Now, with the introduction of a Canada Pension Plan, if those benefits are going to be reduced as compared to what will be available to the general Canadian citizen, then we say that the compulsory part of our pension plan should be cancelled. Do you follow what I mean?

This is another one that we are keenly concerned with. If a contributor of the 1959 plan or the 1935 plan, which is now by the introduction of this bill to withdraw whatever he has put into the Canadian national plan, and be the recipient of only what the Canadian Government will make available to the citizens, he must resign from the Canadian National Railway plan. This

is certainly a drawback. Employers are faced with this, if the railways are going to take the unilateral position that the plans will be consolidated or integrated.

You must realize yourself when you have contributed to these plans for several years that you have quite a lot of money invested in them, based on specific benefits you were promised because, and that in effect it is a contract, but then you find in the course of the life of the contract the conditions are changed and you have nothing to say about it. If you compare the present benefits that are available to the Canadian National employees versus the benefits that will be available to the Canadian citizens under this act, you will find that the Canadian National employees will be actually deprived of certain benefits and certain rights which are allowed to other Canadians. This is mentioned in Articles 15 and 16 on pages 4 and 5 of our brief.

Mr. KNOWLES: Thank you very much.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Monteith?

Mr. MONTEITH: I think my questions have been answered, Madam Chairman.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Gray?

Mr. GRAY: Madam Chairman, Mr. Knowles covered part of the area about which I wanted to ask questions, namely, that with respect to the number of employees who were not covered at all by the plans on the railways or who do not have these benefits. I just wanted to remark that it is very interesting to hear that with respect to the railway industry in Canada, which has been a pioneer in the field of private pensions, there are so many people at this date who do not have a pension at all, or who have only very modest benefits under original plans. This is an interesting reply to other witnesses who have come before us and endeavoured to indicate that industry will be providing private plans with relative swiftness, thus lessening the need for the Canada Pension Plan. I do not know whether the witnesses would care to comment on that at all.

Mr. CLARK: If an employee on the Canadian Pacific cannot enter the plan if when he enters the service he is above the age of 40—that is, if he has passed his 40th birthday when he enters the service—then there is no opportunity for him to get into a plan at all.

Mr. GRAY: And pension plans first came into existence on the Canadian Pacific in what year?

Mr. CLARK: Well, they did start a plan in 1902 on the Canadian Pacific, but it was a non-contributory plan. On January 1 of 1937 a contributory plan was started. The employees then had the chance, regardless of their age, to enter the plan.

Mr. GRAY: The point I am trying to make is that this is not very encouraging when we are told that private industry will take care of this problem with great swiftness, and that we do not have to act.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Is that all, Mr. Gray?

Mr. GRAY: Yes, thank you very much.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mrs. Rideout?

Mrs. RIDEOUT: Madam Chairman, I feel very much at home here today with the gentlemen from the railway brotherhoods. Moncton is in my constituency, and it is known as a railway town. Also, the new C.N.R. hump yard is there. I might also mention that I started my career in life working for the railway, and I want to compliment you gentlemen on your brief, and to say that I sympathize with your problems. I know that there are problems with the different pension schemes in the railways, and I shall take advantage of

this opportunity to ask you a question which is asked of me whenever I am at home in my riding. I might add that it refers in many cases to widows. My husband was an employee of the railway. He was under the new pension plan, so I am also a pensioner.

This is the question I should like to ask you. In the old Provident Fund, as you explained it today, the employee contributes so much and the employer matches his contribution, but when he dies his widow receives no benefit. She does not receive a pension. Am I correct in that?

Mr. RAYMOND: To my knowledge, under the old plan—I am not talking about the 1935 plan. The old Provident Plan, to my knowledge, provided that the pension dies with the employee or the pensioner.

Mrs. RIDEOUT: Yes, and also these employees are not permitted to join the new railway pension plan. There are only certain times at which they are allowed to join—certain periods.

Mr. RAYMOND: That is right.

Mrs. RIDEOUT: And at that time they have to make a substantial cash payment to the railway; is that correct?

Mr. RAYMOND: There were two occasions when the employees governed by the previous pension plans were given the opportunity to join the recent plan. First of all, in 1954 there was a big campaign made as a result of the introduction of the first revised pension plan in 1952. The campaign was held in 1954 and all non-contributors were approached.

Again, the same opportunity was given to all employees when the plan was further revised in 1959. The plan was revised in 1959, but the canvas actually took place in 1958.

It is a rule of practice that any employee who was not on the payroll as at December 31, 1958, and who is recalled back into the Canadian National service, will be given the opportunity of making up his mind or coming to a decision. On coming to that decision to now become subject to the new plan they do not necessarily have to pay whatever deficiency they may owe to the railways. They only acknowledge the commitment that they will have to pay it in order to be the recipient of the full benefits of the plan. If they do not pay this deficiency then this is taken away from the total benefits, and there is a special formula that is used for the breaking down of the amount of money that will now be paid to the pensioner or to his estate depending on the cost based on the actual deficiency or lack of contribution.

Mrs. RIDEOUT: But there have been some employees who were not able to take advantage of the opportunity of joining the new plan simply because they could not find the money that was needed. There were some employees who were not able to join the new plan for that reason?

Mr. RAYMOND: Yes. I replied to this partially before, and I should like to further enlarge on that. In addition to the vast sum of money that these people would have actually committeed themselves to pay in order to be the recipient of full benefits, you must also consider those employees who are veterans—those who have served in the armed forces and who are by virtue of that service in the armed forces subject to certain benefits under Government regulation. If you tie up everything together I presume there is a vast majority of these 18,000 non-contributors who, considering the commitment they would have to make in order to be the recipient of the full benefits of the 1959 plan and all other aspects, came to the conclusion that they would be better off as a non-contributor under the 1935 plan receiving a pension of $25 as long as the Canadian National will continue to pay it, and also being the recipient of whatever benefits are allowable to them under any regulation or legislation passed by the Government.

Mrs. RIDEOUT: I feel—and I wonder what your feeling is—that these people will particularly welcome the opportunity to have the Canada Pension Plan because it will protect their wives.

Mr. RAYMOND: I spoke to many of them, and as far as they are concerned they told me bluntly: "Mr. Raymond, we do not wish to participate under the 1959 plan, and we are looking forward to the implementation of this bill C-136 because we will then be the recipients of something that we feel will allow us to go on pension with a certain amount of dignity".

To further compound the problems, in order to facilitate the task of reaching a decision under the proposed legislation—if you will allow me, Madam Chairman—an employee who would earn an average adjusted monthly wage of $300 under the proposed legislation will be entitled to receive a pension of $75 a month. Under the Canadian National 1959 plan an employee earning an average of $300 a month, in order to qualify for a pension of $75 must have at least 20 year's service, and he must pay 5½ per cent of his wages. Under the federal proposal the employee will be required to work for only ten years, and to pay 1.8 per cent of his wages in order to receive a pension of the same amount. The non-contributors, as far as we are concerned, are better off with the proposed legislation, being part of the 1959 plan. If this 1959 plan is further reduced by the integration of the plan, then we say it is a further injustice towards those contributors.

Mrs. RIDEOUT: As you know, I am sure, you have many people writing to you as they write to me; and I think the answer is in our pension plan some allowance for widows, which was not under cover. So really you are going to solve one problem. You may be taking out many, many more but at least one will be solved.

Mr. RAYMOND: We have to look after the widows and the estate.

Mr. BASFORD: My older brother is employed in the C.N. pump yard in Winnipeg and I would like to pay a special welcome to the Railway Brotherhood, from the committee. I would like to highlight the preliminary submission. A letter from the C.N.R. was read out, a letter to the C.N. contributors, which had four points in it. I wonder which of those points you disagree with, as to the way the C.N. handled their plan?

Mr. RAYMOND: What we are objecting to is basically contained under two and three of that circular letter that the railways sent out, and if you care, I will read it. It says:

> 1. C. N. pension plans will not be replaced by the Canada Pension Plan.

We know that the railways have definitely stated they have no intention to scrap the plan as a whole, so this is not in question at the present time. They say:

> 2. Any co-ordination between the Canada Pension Plan and the C.N.R. pension plan will relate only to contributions and earnings in respect to earnings and service after the Canada Pension Plan comes into force.

You will see now where they are planning to do something. They say:

> It will not affect pension benefits which would have accrued to employees under the C.N. pension plan up to that time.

We say that, on the implementation of this Canada Pension Plan across the country, we should obtain what we are paying under our present pension plan,

and whatever is required under the law our employees would pay it in order to be recipients of that extra benefit. They say:

> 3. The combined benefits which the employee will receive under the C.N. and the Canada Pension Plan will be at least as much as are at present provided under the C.N.R. pension plan.

We object to this, because we feel that the Canadian National, instead of paying to the Government the same as any other employee will be required to pay, 1.8 of the equivalent wages of their employees, towards the Canada Pension Plan, the C.N.R. will recoup some of the investment or the obligations that they are now facing towards the employees who are not subject to the compulsory clauses of 1959.

Eventually, if we project ourselves on a period of time of possibly 50 to 100 years, the railways will not be paying anything towards the plan, because the C.P.P. will eventually be increased, with the projected improvement of the plan and whatever is projected by the actuaries. We feel—in the Canadian National, and possibly the Canadian Pacific have the same opinion—that, in the far analysis, the employees will be paying the entire shot, while the railways will be recouping their obligation to their own private plan by paying it to the federal Government.

Mr. BASFORD: Was that letter dated February of last year?

Mr. RAYMOND: There is no date on this, but to my knowledge it was sent out early last year.

Mr. BASFORD: Has there been no further communication?

Mr. RAYMOND: I say this because, to my knowledge, resulting from the issuance of this bulletin, several of the organizations have taken the trouble to write to the Canadian National, supplying copies to me, and also have written to me objecting to this. At one of our annual meetings last year this matter came up for discussion, because it had been distributed to the employees. So I would say it is shortly after January of last year.

Mr. BASFORD: Do I understand your position clearly then? I take it you have studied the evidence of the committee, when it was outlined as to the system of integration which was going to apply to the Civil Service Superannuation Act?

Mr. HUNEAULT: We have studied it, yes, to some extent.

Mr. BASFORD: I understand you do not want to follow that same procedure in the case of C.N. pensions?

Mr. HUNEAULT: That is correct.

Mr. BASFORD: This is because you feel your existing pension plans are not quite adequate.

Mr. HUNEAULT: That is a correct statement.

Mr. BASFORD: With the addition of the Canada Pension Plan, which you approve entirely, it would be more adequate?

Mr. HUNEAULT: It would increase the benefits to the pensioners.

Mr. RAYMOND: This circular letter apparently came out of sequence to March 17, because it is mentioned in it that legislation introducing the Canada Pension Plan was introduced in Parliament on March 17. So this came subsequent to that date.

Mr. BASFORD: There is no circular relevant to this Bill C-136?

Mr. HUNEAULT: In addition to this?

Mr. BASFORD: Bill C-75?

Mr. HUNEAULT: There have been no recent circulars that we know of.

Mr. RAYMOND: May I point out, though, that this matter was brought to the attention of the Canadian National, and I presume also to the attention of the C.P.R. As I stated, we have a number of resolutions that we would like to present to the railways. At the time this came off, we were in the midst of preparing a brief containing recommendations to be presented to the Board of Pensions. Because of this, it was deemed necessary to delay the presentation of our brief, because we did not know the full contents of the proposed legislation. This policy has also been followed by our railway, to wait until the full thing has been agreed to by the Government and then sit down. They have always said that they wished to do a certain amount of integration.

Mr. BASFORD: As I understand your brief, you are not entirely opposed to integration, if it is done on a bilateral basis, that is, done with your agreement?

Mr. RAYMOND: Yes. Then we have a chance to express the views of our employees with those who studied the case and so on. We have to take this responsibility. We are agreeing to meet that responsibility, but we want to be given a chance, at least, to sit across the table with the railways and discuss these things and come to some conclusion that we feel will adequately represent the interest of the people concerned. We do not have this, technically speaking, we may present our brief but the board of directors can block it.

(*Translation*)

Mr. CÔTÉ (*Longueuil*): I think I can tell by your accent, Mr. Raymond, that you are French-speaking and I presume also that you are from the Province of Quebec. First of all I would like to congratulate you on the ease with which you express yourself in the language of Shakespeare and also on your wide knowledge of pension plans. Do Canadian-National employees who live and work in the Province of Quebec entertain any fears or apprehensions as a result of the fact that Quebec is setting up its own system just like Canada?

Mr. RAYMOND: If such fears exist, they have never been brought to my notice.

Mr. CÔTÉ (*Longueuil*): Are your employees aware that the Province of Quebec's pension plan allows for transfer to all the other provinces of the country?

Mr. RAYMOND: I fully believe that most Canadian-National employees—and I can refer only to Canadian-National—follow events very closely and should know that the government of the Province of Quebec intends to adopt the necessary measures to make pension plan benefits portable.

Mr. CÔTÉ (*Longueuil*): Do you, personally, as an expert in pension plans, see any disadvantages in the fact that Quebec is setting up its own plan?

Mr. RAYMOND: No, none.

Mr. CÔTÉ (*Longueuil*): Do you see any advantage in Quebec's having its own plan?

Mr. RAYMOND: The Province of Quebec itself? I don't know. I am not in politics.

Mr. CÔTÉ (*Longueuil*): May I add one little comment, Mr. Raymond? I believe the very large number of railway employees in the Province of Quebec has had some effect on negotiations between the Province of Quebec and the federal government so far as the implementation of identical plans by the federal government and the Province of Quebec is concerned. I also believe that this factor may be a guarantee for the future, in the event of certain changes in the pension plans. The same changes will be effected by the Province of Quebec and by the federal government.

Mr. FRANCIS: This is a matter of federal jurisdiction.

Mr. RAYMOND: I shall answer like this. To the best of my knowledge, Canadian-National or Canadian-Pacific employees have at their disposal a pension fund while most of the other industries do not have one and that has certainly had some bearing on the decision taken by the government of Quebec in meeting its obligations toward the population. But it is not up to me to say more than that.

Mr. CÔTÉ (*Longueuil*): But I, myself, believe that the fact that there are many railway employees in the Province of Quebec has had some influence—

Mr. RAYMOND: Definitely.

Mr. CÔTÉ (*Longueuil*): Are you yourself, as well as your association, in favour of the provision in Bill C-136 which ties benefits to the cost of living index in such a way that benefits will increase if the cost of living goes up?

Mr. RAYMOND: We are in favour of this principle.

(*Text*)

Mr. HUNEAULT: I will tell you why I said that. At one convention, when I used the English term, someone said, "Since when, Paul, have you changed your ethnic group?"

Mr. LLOYD: Madam Chairman, the Canadian Pacific Railway and the Canadian National Railways, I take it, provide pension funds for their employees on roughly a comparable basis, or are they of a differing nature? I gather they are unit systems and that the benefits are based on the best five consecutive years or the last 60 months, as the case may be.

Mr. CLARK: In the Canadian Pacific you have the choice of the best five years or any calendar five years that you care to mention, but in no case would they be less than the last five years.

Mr. LLOYD: And the percentage of contributions are the same?

Mr. CLARK: Well, half a per cent difference.

Mr. LLOYD: And in both cases, that is, the CPR, and the CNR, there are no bargaining rights with respect to pensions?

Mr. HUNEAULT: None whatsoever.

Mr. LLOYD: It appears to me that the system which you both have is known as the unit pension plan. In other words, your moneys and those of the railways are not put into a trust fund and attached to it. It is a little different from that. I think you go on the basis of the guarantee that if you achieve certain factors, qualifications, then you are entitled to certain benefits, and in the one case the company is responsible for the liability of a private plan, and in the other case, the government is responsible; but generally speaking both the CPR and the CNR tend to keep the pension benefits, because it has to do with compensation pretty well on the same level. Now, if this is so, I believe you quoted, Mr. Raymond, from a pamphlet of the CNR earlier in your evidence, and did you give some illustrations to Mr. Prittie, I believe it was, of benefits being derived under certain conditions? Were you quoting from this particular pamphlet when you gave those illustrations, or were you quoting from something else?

Mr. RAYMOND: You mean the percentage credited to so many years service?

Mr. LLOYD: Yes. You took an example here in the supplement to your Canadian National Railway Pension Plan Rules, effective January 1st, 1959, and it shows, for example, employee retirement at December 31, 1958, in this particular illustration. At age 65, with 35 years service, six months allowable service, and for a rate of $350 a month, which would be the last 60 months average earnings, it turns out he retires on a pension of 40 per cent of that amount.

Now you give another illustration where at age 55, 40 years of allowable service and presumably he would have to start at age 15 to accomplish this, he would achieve a pension equivalent to 47 per cent for his best number of years, or last 60 months.

Mr. RAYMOND: I did not quote those figures. So apparently we are not using the same document.

Mr. LLOYD: Well, I got this from one of your members. Are these typical cases today of the pension level for railway employees on retirement, or do you have any figures which would indicate what would be the percentage of the average monthly compensation that is achieved by those retiring from the railway service today, other than the ones we are quoting?

Mr. MONTEITH: I think Mr. Raymond did give those figures.

Mr. RAYMOND: I have used this information from a circular letter dated April 16, 1962, from the Honourable Mr. Gordon, Minister of Finance, as a result of an amendment of our rule 7 which deleted or cancelled the previous percentage rates applicable to the first 20 years, and then 1¼ per cent for the next 10, and so on. As of April 1, 1962 these percentages have been amended, and now instead of having 1 per cent for the first 20 years and 1¼ for the next 10 years, and 1½ per cent for each year after 30 years, this amendment is calling for 1¼ per cent for each of the first 30 years of service, and of course the 1½ per cent subsequent to the 30 years remains as is. As a result of this amendment I have quoted, surprisingly it works out under the old percentage, and the new percentage has an exact difference of 5 per cent, irrespective of whether you have 20 years or 45 years of service—when you go out on pension you only have 5 per cent. You would believe that by going on pension with the new percentage rate with 45 years service your percentage of pension would be increased proportionately as compared to an employee of 20 years; but I have the figures here, 45 years allowable service, allowable under the old rule at 55 per cent, now 60 per cent; and everyone of them is exactly 5 per cent less —5 per cent difference. This has been the cause of a great many complaints.

Mr. LLOYD: As a result of the latest method, the percentage of allowable service, the percentage of benefits based on five years, average monthly income, do you tell me that in effect you get a reduction of the percentage?

Mr. RAYMOND: No, we have an increase of 5 per cent, but this 5 per cent applicable to the increase of 1¼ per cent for the first 30 years in effect has given a flat increase of pension to all employees at the rate of 5 per cent, regardless whether you have 50 years or 20 years of service.

Mr. LLOYD: Well, in your final conclusions you favour tacking on to the Canada Pension Plan your present benefits, and this presupposes that you assume present benefit levels are not adequate for what you might call a pension adequate to enjoy retirmement in dignity—those were the words you used. Do you have any figures to back up this conclusion or any statement other than what you have already supplied to the committee? Would you are to enlarge on it?

Mr. RAYMOND: As I have said before, when our employees committed themselves to pay towards this pension plan they did it on certain basic fundamental benefits that we specified, and they were therefore agreeable to take this obligation.

Now, if these benefits are going to be reduced because of the introduction of this federal plan, we say that the contract that has been signed between the employer and employee should be revised. At the present time there is no indication whatsoever that the employees will be allowed that preference. As I stated in the course of my statement before, at the present time, because of this lack of possibility, if an employee now wished to withdraw his investment

in the Canadian National pension plan because of the introduction of this, he must resign from the railways.

To give you a rough estimate—and this comprised supervisors, some of whom are in very high rated wage brackets, and of course, the lowest one, under the 1959 plan, in 1963—the exact figure as of today, I do not have it—the average pension of those under the 1959 plan would amount to $130.20. The contributors to the 1935 plan, which is the guaranteed equity, rate an average of $45 a month. With regard to the 1935 plan, of course, non-contributors, because of a certain clause applicable to employees in service prior to January 1st, 1935 which allows them a certain amount of money in excess of a basic $25, amounts to $30.16 per month. You can see that even at $130.20, on an average for the 1959 pension plan contributors who must pay 5½ per cent, when you actually break it down to an average it comes to $130 a month, as compared to what the federal Government wished to introduce. There is a vast difference.

Mr. LLOYD: This is the figure I wanted to get at. We had extreme difficulty in this committee in obtaining from other witnesses some idea of the relationship of benefits, on the average, to levels of earnings at retirement. One actuary estimated overall between 30 to 40 per cent. Your average figures would indicate his judgment is certainly a valid one.

This is, I suppose on a superficial examination, why you want to deck on the Canada Pension Plan to your existing pensions, until and unless you can be shown otherwise there is some justification not to.

Mr. RAYMOND: For the purposes of the record, in order that there is no misconstruing or attempt to deny those figures, these figures are quoted from the annual report of the Pension Board for 1963, so it is an accurate report.

Mr. LLOYD: Then these figures were available. I am glad we have them on the record now.

Mr. RAYMOND: This average of $130.20, Madam Chairman, on the 1959 plan is applicable to the total of 13,265 employees.

Mr. KNOWLES: I wonder if we could ask the witness to file a copy of this report? I am not asking that it be put in the record; it is too voluminous for that; but I am asking that it be filed for the use of the committee. I think it would be a useful document. If the witness does not have it with him, he could send it in.

Mr. LLOYD: I was going to ask the same thing with regard to these figures, but the figures you have are probably different.

Mr. RAYMOND: For the sake of the record, I would like to quote the figures I mentioned were for 1959, under the old plan. Under the revised plan instead of $130.20 it is $150.78; and instead of $45 contributed for 1939 it is $46.21; while the 1935 non-contributors have been reduced from $30.16 to $29.18.

Mr. LLOYD: I am sure you want to be completely fair about it. Do you have the average wages at retirement per month related to these figures—is it in the $300, $400 range? You have the average benefits, but you do not have the average wages at retirement applicable to these cases?

Mr. RAYMOND: No.

Mr. LLOYD: Would it be too difficult a job to get that information?

Mr. RAYMOND: Yes, it would be most difficult. Madam Chairman, for the information of Mrs. Rideout, the benefits to the widows and other dependents under the 1963 report are these: Under the 1959 plan there are 5,097 widows or dependents, and they have an average of $64 a month. Under the 1935 plan contributors, the widows and the other beneficiaries, the estate, have $43.20, and the non-contributors, because they have service prior to 1935, have an

average of $18.31 a month. There are 549 such persons who were contributors under the 1935 plan, and 512 persons known as non-contributors under the 1935 plan.

You do not have to go too far to compare the benefits available under this proposed legislation.

Mr. LLOYD: Pursuing this same line with the gentleman speaking on behalf of the C.P.R. employees, I believe—

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Clark.

Mr. LLOYD: Yes, Mr. Clark: Have you any figures that would still further enlighten us on this?

Mr. CLARK: The only figures I could give you would be the averages we have from year to year. I could give you the one that was released on March 3rd, 1964. The average age of employee that went on retirement was 53-8/12ths. The period of service, on the average overall, was 37-11/12ths. The average monthly earnings for these individuals was $426.52.

Mr. LLOYD: That is on retirement?

Mr. CLARK: Yes, that is right. The average pension was $194.41, and I could give you the survivor in there, if you like.

Mr. LLOYD: Yes, I would like that.

Mr. CLARK: While I am on that $194.41, the reason it is possibly a little higher than what Mr. Raymond quoted is that those individuals who did not see fit to join the plan prior to 1937 are not calculated, so it does not reduce this here. They get a pension that is solely contributed by the Canadian Pacific Railway and has no effect in these statistics.

The survivor, the average age of the survivor was 62-10/12ths, and the average survivor allowance paid was $74.18.

Mr. LLOYD: I made a quick calculation this is an average which approximates to 45 to 46 per cent, that average.

Mr. KNOWLES: Yes.

Mr. CLARK: I would say that.

Mr. LLOYD: It is an average, so there would be many below that figure?

Mr. CLARK: Yes.

Mr. LLOYD: And I suppose an equating number above. This is really what draws attention to the urgency of holding to your argument you want the Canada Pension Plan decked on; or if they do anything you want to know all the details because of this average position of pensions in relation to earnings.

Finally, Mr. Raymond, on the subject of the province's pension benefits acts that are being talked about, under these acts it is proposed to ensure liquidity—"solvency" is the term used—to try gradually to reduce the periods of vesting and the like. In your studies of this, have you concluded that with the advent of this legislation there might be some upward trend for the costs of private pension plans in the future if you introduced all these measures, or have you considered that aspect of the matter?

Mr. RAYMOND: We are studying the matter at the present time, and we have not, as yet, reached a conclusion because we do not know what the future will hold. But we feel that based on our present experience with the Canadian National it will have the same relative effect, for it will be kept separate and apart if they are allowed to do so, and the pension plans will be subject to whatever considerations they will make.

Mr. LLOYD: I think what you implied as you went along with the evidence that was given here, or at least I get the impression that what you implied

is that you are a little fearful that if you start to build in a compulsory requirement on private pension plans that the railway pension fund will be related to these developments.

Mr. RAYMOND: Yes.

Mr. LLOYD: This could force either the employer or rather the employer to absorb new costs or attempt to pass them on, and he might in some way subtract from the present position you now occupy. Is that a fair statement?

Mr. RAYMOND: That is a very fair statement.

Mr. KNOWLES: Would both these gentlemen, Mr. Raymond and Mr. Clark, file copies of the documents from which they have been giving these figures?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Raymond has already given me this document, and I was going to ask if the committee would like to have it filed. This is the C.N.R. Pension Board Annual Report for 1963. Is it your wish to have this put on file?

Mr. KNOWLES: Agreed.

Mr. MONTEITH: Agreed.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Has Mr. Clark a similar document?

Mr. KNOWLES: Has Mr. Clark a similar document or a document giving this kind of information?

Mr. RAYMOND: We can also supply you with a copy of our pension plan, if you care for it. It is the 1959 pension plan.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Would the committee like to have a copy of the 1959 pension plan?

Mr. KNOWLES: Yes, and the C.P.R. pension plan too.

Mr. RAYMOND: I will make sure that Mr. Huneault gives this to you.

The CHAIRMAN (*Hon. Mrs. Fergusson*): You said that you wanted the C.N.R. pension plan on record. Now, we have the C.N.R. pension plan as well as the report and we also have the report of the C.P.R. for the year 1963 for their pension trust fund, and the C.P.R. pension plan. Do you wish to have all these placed on record with the Clerk of the Committee?

Mr. MONTEITH: Yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much. Mr. Francis?

Mr. FRANCIS: Madam Chairman, I am going to keep this short in view of the time. I think the delegation has done a very good job of bringing to our attention the problem that exists on integration in an area where provincial jurisdiction does not cover it. They made a point that they are very much concerned, and from what they have said this afternoon they have established a very good case for being able to bargain it out, because there are so many ramifications to this system that the only logical way would be to allow parties to negotiate to their satisfaction and to reach some settlement.

The federal Government tried to set an example dealing with its own employees, as you pointed out, but there is one difference in that we do have an advisory committee which advises on administrative problems, and on this committee the staff associations are represented and there has been an effective method of consultation to this device. Quite frankly, I don't think the federal Government could undertake to spell out the difficulties of the kind of problems you have laid before us. I think that our responsibility should go to say that this should be an area appropriate for bargaining and you should be permitted to bargain it and have the opportunity to do so, and it seems to me this is about as far I feel, as a member of the committee, that I can comment at this stage.

The CHAIRMAN (*Hon. Mrs. Fergusson*): That is all you want?

Mr. FRANCIS: Yes.

Mr. MONTEITH: Very briefly, Madam Chairman, I don't think that it has seemed particular unpopular to identify oneself with a railway town today and I would like to mention that the City of Stratford is in my constituency, but I am asking a question as a result of that. I was very well aware of pension problems following the bad years of the 1930s and the fact that many employees were laid off for periods of time, and while still more or less on call they might have other jobs temporarily, but they would be still on call to the railroad, but these months were not allowed for pension purposes. Am I right, Mr. Raymond, so far?

Mr. RAYMOND: You are quite correct.

Mr. MONTEITH: Now, do you know whether some of these inequities still exist?

Mr. RAYMOND: When you refer to inequities I presume you mean do we still have employees in the service who were laid off in the 1930s?

Mr. MONTEITH: And who suffered as a consequence of that.

Mr. RAYMOND: Who suffered as a consequence of the depression, yes.

Mr. MONTEITH: Pensionwise?

Mr. RAYMOND: Those people laid off in those years and not as yet pensioned off cannot have those years, of course, while they were out of service attributed to their service for pension benefits, because they are not considered as allowable years of service because they have not worked at least a day a month during those months.

Mr. MONTEITH: As I seem to recall this was a very serious complaint at that time. But this has never been rectified. There has never been any adjustment made for these employees who were laid off although still on call to the railway.

Mr. RAYMOND: To be fair to the Canadian National, after all, you have got to get up and meet yourself whenever you shave in the morning. This matter was brought up by our association and we had a discussion about it with the Canadian National and it was referred back to the general chairman of the association who has not yet deemed it necessary to further process the case, because of the various ramifications of the problems. We must acknowledge that a pension plan is based on actual contribution, and this matter is still under the study of the association.

Mr. MONTEITH: Thank you very much. If I might just say that I was representing a railroad town, Stratford, I might point out that the steam locomotive shops have disappeared since the time I was there.

Mr. CAMERON: In view of Mr. Monteith's remarks, may I be extended the privilege of remarking that I also belong to a railway town.

Mr. PRITTIE: May I say that I don't come from a railway constituency.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Senator Sydney Smith.

Hon. Mr. SMITH (*Kamloops*): I will be very brief, but I will add that I come from Kamloops, which is also a railway town, where we have both railways.

Madam Chairman, as a benefit to the record I am wondering if it would not be interesting if the two spokesmen for the two groups could tell us the number of employees in their groups, whether or not they are within the company plans.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are you able to do that, Mr. Raymond and Mr. Clark?

Mr. CLARK: I would say on the Canadian Pacific that there are around 54,000 making contributions under the plan. How many that are not, I would not be able to say.

Hon. Mr. SMITH (*Kamloops*): Could you estimate it at all, Mr. Clark?

Mr. CLARK: I would say that an estimated guess, is that there are probably between 4,000 and 6,000.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Raymond?

Mr. RAYMOND: On the Canadian National, the 1963 financial report shows the number under the new method of counting employees to be about 99,000 employees.

Hon. Mr. SMITH (*Kamloops*): Altogether? Is that in or out of the plan?

Mr. RAYMOND: All employees. Somewhere along the line all employees are subject to some pension rules, either in the I.C.R. or in the 1935 plan or in the 1959 plan.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any other questions?

Mr. BASFORD: We have had Mr. David Kilgour before us. Mr. Kilgour is an opponent of Bill C-136, and I recited a long list of organizations supporting the passage of this bill. His reply implied that these groups were being carried away with headlines, and that they did not really know what they were talking about.

I notice that you have with you a research assistant, and an assistant to the assistant. I assume you are enthusiastically in support of Bill C-136, and that your enthusiastic support is based on a careful study of the legislation and social implications.

Mr. HUNEAULT: Mr. Wells is our research director.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Do you wish him to speak?

Mr. BASFORD: I want to get on the record that you know what you are talking about.

Mr. HUNEAULT: I would like to have Mr. Wells reply to that.

Mr. J. S. WELLS (*Research Director, International Railways Unions*): Yes, I have studied the bill in some detail. I hope I understand a large part of it.

Mr. MUNRO: You are certainly more humble than most people who come here.

Mr. WELLS: In fact, you like the bill so much that you want its benefits in addition to what you have. That is the main reason why you have come here?

Mr. CLARK: Yes, and we are speaking only for the employees we represent on the two major railways.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any other questions? If not, Mr. Huneault, Mr. Raymond and Mr. Clark, on behalf of the committees I thank you for preparing and presenting this brief. The answers you have given to the questions asked by the members of the committee have been both interesting and illuminating to us. You have commanded the respect and, I am sure, the sympathy of this committee, and no doubt this will affect the final decisions of the committee.

Mr. HUNEAULT: Thank you, Madam Chairman.

Mrs. RIDEOUT: Madam Chairman, may I be permitted to move a vote of thanks to these gentlemen, and to tell them how much we enjoyed reading their brief. As one former railway employee speaking to other railway men, I congratulate you.

Mr. FRANCIS: I second the motion.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It is moved by Mrs. Rideout, seconded by Mr. Francis, that there be a vote of thanks to the delegation. Will you respond in the usual manner?

Mr. HUNEAULT: Madam Chairman, we have come here in a very frank and truthful manner to place the problem of the railway employees in connection with their private plans and the effects of the Canada Pension Plan before you. We appreciate very much the opportunity of appearing here, and we thank you very much.

The CHAIRMAN (*Mr. Cameron*): Before we adjourn, I call the attention of the committee to the fact that our witness tonight is Dr. Clarke. Also, tomorrow at the conclusion of the afternoon's session, we shall meet in my room where the caterer will serve light refreshments. This invitation is extended to everybody.

Mr. MUNRO: Mr. Chairman, the Steering Committee will meet at this time for just a minute or two.

The CHAIRMAN (*Mr. Cameron*): Yes, it will be a very short meeting.

The CHAIRMAN (*Hon. Mrs. Fergusson*): The clerk has received a letter from Mr. Marchand who was to present a brief to us on Wednesday, January 13, and who was not able to come. He has written a letter expressing his regrets. As it is in French I shall ask the clerk to read it, because I think it should be on the record.

(*Translation*)

CONFEDERATION OF NATIONAL TRADE UNIONS

Quebec, 18th January 1965.

Mr. Maxime Guitard,
Secretary of the Special Joint Committee,
Committees and Private Legislation Branch,
House of Commons,
OTTAWA.

Dear sir:

I deeply regret the incident which took place on the 13th of January last. When you spoke to me on the telephone, as when your secretary spoke to me, I was under the impression that we would be able to have our brief ready for the 13th of January. The editor's illness prevented us from carrying out this intent.

I am somewhat embarrassed by this situation and we would ask you to convey our excuses to the committee.

Yours truly,

Jean Marchand,
President.

(*Text*)

The CHAIRMAN (*Hon. Mrs. Fergusson*): The committee will now adjourn to meet again at 8 o'clock this evening.

EVENING SITTING

THURSDAY, January 21, 1965.

The CHAIRMAN (*Mr. Cameron*): Senator Fergusson and gentlemen, we have a quorum.

Mr. BASFORD: Mr. Chairman, before we commence the evidence, for the information of the committee, and particularly of Mr. Cantelon, who raised very properly the question of what the Canada Pension Plan does do to those with forced retirement at age 60, I would like to ask Mr. Osborne to prepare some material, as other members of the committee have done. To preface my remarks, I would like to read into the record a very short letter from the Vancouver Fire Fighters Union.

Mr. MONTEITH: May I inquire what this is all about?

The CHAIRMAN (*Mr. Cameron*): I gather that Mr. Basford is seeking some information and is going to ask Mr. Osborne to prepare it.

Mr. BASFORD: It is a letter addressed to me and I guess this group would have come before the committee only they did not want to stand the expense of coming from Vancouver. The letter reads:

> Dear Sir:
>
> Fire Fighters in the province of B.C. number approximately 1300 and we are all organized and affiliated with the International Association of Fire Fighters and the B.C. Provincial Association of Professional Fire Fighters.
>
> All of these members are covered by the B.C. Municipal Superannuation Act.
>
> It is our expressed opinion that the Canada Pension Plan be considered as a supplementary pension to our present plan. We have expressed this opinion at a joint meeting of representatives of all B.C. Municipal Employees, and they unanimously endorsed this opinion.

The CHAIRMAN (*Mr. Cameron*): Is that a copy of the brief that we have received from the Fire Fighters?

Mr. BASFORD: No, Mr. Chairman, this is a letter.

The CHAIRMAN (*Mr. Cameron*): We have a brief from them also.

Mr. BASFORD: This is just a letter and I would like it to be on record.

Mr. MONTEITH: The brief would probably be filed anyhow and put on the record.

Mr. BASFORD: I would like you to put the letter on the record because I think these are introductory remarks to what I want to ask Mr. Osborne to prepare.

Mr. MONTEITH: I have some letters also which I would like to put on the record.

Mr. BASFORD: The letter continues:

> I would like also to express our very deep concern with the proposed C.P.P. in its attitude and complete discrimination to all of our membership who are obliged to retire at the age of 60, thereby not allowing them full vesting no matter how many years they may pay into the plan. Some means must be found to give full vesting to those people in the country who are compelled to retire at age 60. This is the maximum age to which a fire fighter is allowed to work and even though he may be in the position of paying into the C.P.P. for periods of 10-20-30 years he still would

be unable to draw maximum benefits owing to the fact that he didn't work between the ages of 60-65 a period he is unable to do so according to law...

I would like this to be part of the record and would like Mr. Osborne to prepare a memorandum for members of the committee, to become part of our record, to answer questions raised, that Mr. Cantelon has raised very properly on behalf of school teachers, many of whom are forced to retire at age 60. I would like Mr. Osborne to say what are the ramifications and implications of the Canada Pension Plan and of the bill, both as far as contributions are concerned and as regards those who are forced to retire at age 60.

The CHAIRMAN (*Mr. Cameron*): Has the reporter the complete question? I understand he has.

Mr. OSBORNE: I have not got the complete scope of the question. There are two questions I would like to ask. Is it to be assumed that these people who have retired at age 60 are not permitted to get other jobs, not permitted to take on self-employment until 65? Do we assume they do no more work after age 60?

Mr. BASFORD: It is assumed that according to law they are not prevented from taking jobs.

Mr. OSBORNE: But in the calculation you want me to make, do you want me to assume they are performing no more work of any kind after 60?

Mr. BASFORD: Yes.

Mr. OSBORNE: Secondly, how do I regard the 10 per cent drop out which allows them to drop out the years from 60 to 65.

Mr. BASFORD: I would like you to regard it either way.

Mr. MONTEITH: You just think it over.

Mr. BASFORD: I would like you to regard it in either way in which they could handle the problem open to them.

Mr. OSBORNE: Could you give me the amount of earnings on which I am to calculate these figures?

Mr. BASFORD: I cannot do so right now.

Mr. CANTELON: With respect to school teachers, particularly those who take university work, their allowable years of drop out will be used up if their work time during university vacations were held to be earning years. I do not think then, they will have much drop out left when they get to 60. Also, I should point out that the majority who reach age 60 have no training in anything else. Besides, many of them are living in small communities, where it is impossible to get anything else to do. I would hope that the information would be so arranged that it would be assumed that these people have used their drop out and have not any work from age 60 onwards—so that we know the worst, in other words.

Mr. OSBORNE: I still need to know an earnings figure, in order to calculate the benefit, because it is an earnings-related benefit.

Mr. BASFORD: No, I do not think you do, Mr. Osborne, to give us the ramifications of the bill.

Mr. OSBORNE: It is not a calculation you wish, Mr. Basford?

Mr. BASFORD: I think members of the committee would want to know in general principle.

Mr. CANTELON: In my case, I would be happy if you put that figure at $5,000, because I am sure we could resolve that figure pretty quickly, to resolve what they have to do.

The CHAIRMAN (*Mr. Cameron*): Perhaps we can accept your figure, and Mr. Basford can put in another figure also if he wishes to do so. Is that satisfactory?

Mr. BASFORD: I mean, just the general principles of the bill, but I will accept Mr. Cantelon's suggestion.

The CHAIRMAN (*Mr. Cameron*): It is much easier to get the general principle if you have something specific. Does everyone agree that we ask Mr. Osborne to obtain the information on the basis of the letter? It is agreed.

You are all aware that the Premier of Ontario has made an announcement in regard to the Canada Pension Plan. I am not stating that what I have in my hand is a complete summary of what he said. It is something that I obtained from my wife over the telephone a few minutes ago.

Mr. MONTEITH: Then it is reliable information.

The CHAIRMAN (*Mr. Cameron*): I think it is pretty reliable. At any rate I take this as a conclusion of Premier Robarts' remarks:

> I have come to the conclusion, when we consider the safeguards built into the plan—

and obviously he is referring to the Canada Pension Plan—

> that it is the best plan for the people of Ontario.

I feel we are all very pleased with this announcement. I know, speaking for myself, that I am very pleased.

Mr. MUNRO: Perhaps that makes all future meetings academic.

The CHAIRMAN (*Mr. Cameron*): I have here the report of the Steering Committee, which is entitled The Report of the Subcommittee on Agenda and Procedure. It met yesterday and the report of that meeting was delayed because we were waiting to hear definitely from the Province of Ontario about a matter which the report will deal with. The clerk will read it.

Report read by the clerk.

Mr. MONTEITH: I do not know if this should be included, but it was mentioned that any other briefs that had been received from several people I could name—there were three or four extra ones, I believe—would be included in the record of proceedings. They were told that. However, the report is that it is too late now; is that correct?

The CHAIRMAN (*Mr. Cameron*): That is right.

Mr. KNOWLES: I think we of the steering committee agreed that we should have done that.

The CHAIRMAN (*Mr. Cameron*): I had proposed to communicate with the various corporations or persons who put these briefs in and say that we would be meeting on Monday, February 1, at 10 a.m., at which time we will be hearing from the Ontario Pension Federation, I presume it is, when Mr. Coward will speak on behalf of the Government of Ontario; and setting aside the morning and afternoon session for that purpose, and probably in the evening hear these two organizations, or other organizations, although I do not think we tied ourselves down actually to Monday. The other people who had sent in briefs, and so on, would be advised that if they wished to appear, they could come down here, at which time we shall try to fit them in, probably at the Monday evening session, or on Tuesday; but we were not intending, I think, to plan our schedule beyond Wednesday.

Mr. MONTEITH: My interpretation, Mr. Chairman, was that we made no plans to hear any briefs or to hear representations beyond the Canadian Teachers Association and the Construction Association.

The CHAIRMAN (*Mr. Cameron*): We were definitely prepared to hear the Canadian Teachers Association.

Mr. MONTEITH: And the Construction Association.

Mr. MUNRO: That is right.

Mr. FRANCIS: That is correct.

Mr. MONTEITH: And the others were told that their briefs would be part of the proceedings.

The CHAIRMAN (*Mr. Cameron*): If they insisted—

Mr. MONTEITH: Do not be too lenient.

The CHAIRMAN (*Mr. Cameron*): If they insisted on coming down, which they do not need to do, they could come on Tuesday.

Mr. MUNRO: The proceedings which took place in the steering committee agreed with Mr. Monteith that we would hear these two but not the others, and just receive their briefs, and that they would be on record.

Mr. CANTELON: Are the teachers presenting four briefs?

The CHAIRMAN (*Mr. Cameron*): Four and one, whatever that means.

Mr. CANTELON: But none of them is in yet.

The CHAIRMAN (*Mr. Cameron*): No; they are to be in by the end of this month.

Mr. CANTELON: I understand there are three of them.

Mr. BASFORD: I suggest that we report these minutes, and that the steering committee meet—

Mr. MONTEITH: Oh, no, be reasonable!

The CHAIRMAN (*Mr. Cameron*): Probably, Mr. Basford, if you suggested Mr. Monteith's motion, seconded by Mr. Munro, be that this report be read with their amendment added as part of it.

Mr. MUNRO: With the amendment as suggested by Mr. Monteith.

The CHAIRMAN (*Mr. Cameron*): Is that agreed?

Mr. MONTEITH: Agreed.

The CHAIRMAN (*Mr. Cameron*): I would like to have a motion that there be printed as part of the minutes of today's proceedings this document relating to Old Age Security programs, supplied in answer to a question asked by Mr. Morrow on December 14 and repeated by Senator McCutcheon on December 15, and I understand also referred to by one or two of the witnesses or the members of the committee. Are you agreed this be placed on the record for today?

Mr. MUNRO: I so move.

The CHAIRMAN (*Mr. Cameron*): And the motion is seconded. All those in favour? Contrary?

I declare the motion carried.

Mr. LLOYD: Well—

The CHAIRMAN (*Mr. Cameron*): The motion is carried.

Mr. LLOYD: I am not objecting to the matter being put in the minutes, but surely I am allowed to ask a question concerning the document.

The CHAIRMAN (*Mr. Cameron*): Oh, yes. Go ahead and ask your question.

Mr. LLOYD: I wonder if Mr. Osborne could just briefly explain the schedules, because you will notice, Mr. Chairman, that the question was put this way: Could you tell us approximately what payroll contributions would be required to raise the equivalent of some of the money that we are collecting under the present means of financing the O.A.S. plan? Do you think it would be 5 or 6 per cent? Then I notice they start with schedules of benefit claims, is that right, Mr. Osborne. Schedule 1. I notice (*a*) and (*b*)—projections. I can understand that.

Mr. OSBORNE: As you will note from the bottom of page 3 this answer was prepared by the Department of Insurance. If you would like Mr. Clark to give you a further explanation—

Mr. LLOYD: I am quite satisfied to let the matter go ahead, and to take a look at it tomorrow, and if I have any questions to ask at that time I can do so.

The CHAIRMAN (*Mr. Cameron*): Senator Fergusson, Mrs. Rideout and gentlemen, we have a very distinguished witness with us tonight. He has come all the way from that fair city of Vancouver, which we hear about from time to time from Mr. Basford. I refer, of course, to Dr. Robert Clark. He is one of the outstanding authorities on the subject matter which he intends to discuss with us this evening, and I know that we are all looking forward with a great deal of anticipation and pleasure to hearing from Dr. Clark.

I do not want to take up unnecessary time, as we shall have a full evening, so without further ado, Dr. Clark, the meeting is in your hands to carry on. We ask you to remain in your seat and to be as comfortable as you can. In due course you will probably be subjected to questions by members of the committee and will be only too glad to reply, I have no doubt.

Dr. ROBERT M. CLARK (*University of British Columbia*): Thank you, Mr. Chairman, for your gracious introduction. Like most university people having to lecture to large classes, I am accustomed to stand, and I tend to unwind as soon as I sit down. Therefore, I shall start, if you do not mind, on my feet.

I would like to suggest for your consideration, sir, that since in my brief there is a table of contents, the most appropriate way of dealing with this is not for me to give an opening lecture of the usual university variety of 53 minutes, but dispense entirely with the preliminary statement. Instead I should take up each of the items in the table of contents. If I feel it appropriate, I should make a number of remarks about each, and then as I finish each one of these, I should welcome questions.

This is not done to suggest that I am only prepared to answer questions in relation to the topics here, but to suggest what I believe to be a logical and businesslike order for getting through the material. If this is acceptable, then I will turn to part I.

The CHAIRMAN (*Mr. Cameron*): Thank you.

Dr. CLARK: In part I, I have set out reasons for preferring a flat rate benefit structure to the benefit structure in the Canada Pension Plan, which is graduated in a relation to contributions. My essential ground for doing this is on the basis of equity.

Now, equity is a very subjective subject, and of course there is room for differences of opinion. Having opposed earnings-related benefits, I then go on to advocate what seems to me to be a logical alternative, for I feel that someone who criticizes the Canada Pension Plan, and this applies in other respects, has an onus to suggest some possible alternative.

I have suggested that the considerations of equity as well as of simplicity and of economy of administration could be served by having pensions for the aged graduated according to the age of the deceased, increasing from year to year, and taking our flat old age security and modifying this accordingly. And also I have in mind including survivor and disability benefits, which are particularly welcome, of course, in the Canada Pension Plan.

Hon. Mr. THORVALDSON: Mr. Chairman, I do not want to embarrass our friend, Dr. Clark, but I wonder if it would be useful if he gave us some of his qualifications to begin with, or is everyone acquainted with them in the committee? I do not know. If they are not, I am. However, I wonder if it would be useful to put this on the record.

The CHAIRMAN (*Mr. Cameron*): Well, I know him as the author of the Clark report.

Mr. BASFORD: Of course, to come from the University of British Columbia is qualification enough!

The CHAIRMAN (*Mr. Cameron*): Would you mind, Dr. Clark, telling us some of the things you have done during your lifetime which you think would be of interest to the committee and would be valuable to them if they were placed on the record?

Dr. CLARK: Mr. Chairman, I can think of almost nothing that would be of value to put on the record.

The CHAIRMAN (*Mr. Cameron*): We will have to be the judges of that.

Dr. CLARK: Please feel free to delete as much as you like in that case. I have a Bachelor of Arts degree, honours economics, and a Bachelor of Commerce from the University of British Columbia, and a Master's Degree, Ph.D. in Economics from Harvard. Since joining the University of British Columbia in the fall of 1946 I have specialized in government finance. Virtually all my publishing has been in that field.

The CHAIRMAN: You have made a special study of these matters such as wage-related pensions and old age security?

Dr. CLARK: Yes, a thorough study.

The CHAIRMAN (*Mr. Cameron*): And social security problems?

Dr. CLARK: In being commissioned to write the report on economic security for the aged in the United States and Canada, I was asked to state arguments on both sides of the case. Almost as soon as that was done I was asked to be a member of the Ontario Portable Pensions Committee, and I was with that committee from its inception. We were charged with the task, and given a lawyer to help us—without whom, of course, we would have been helpless—of drafting the legislation which was adopted by the Ontario Government without change. That legislation was subsequently modified.

I have been writing articles for the last several years in this field, in addition to the report. I teach a graduate course in the University of British Columbia on the economic aspects of welfare legislation, using that term broadly. I think that is sufficient information.

The CHAIRMAN (*Mr. Cameron*): I am going to rule, Dr. Clark, you are qualified as an expert on the subject you are going to discuss.

Hon. Mr. THORVALDSON: I hope Dr. Clark understands the reason I made the suggestion was that although I think everybody here is well aware of his qualifications, nevertheless all this goes in the record and 10 or 20 years from now, when his presentation is read, there is nothing to convey what his qualifications are, so will you excuse me, Mr. Chairman, if I made the suggestion?

The CHAIRMAN (*Mr. Cameron*): Yes, in fact, I was remiss in not making it myself.

Mr. KNOWLES: We want his reward 20 years from now to be related to his earnings!

Mr. MONTEITH: By the way of a pension plan.

Dr. CLARK: I believe I have said enough in relation to the first part of this report. I have explained the alternative that I have in mind. I have referred in this to evidence which shows the resources of the aged in the United States seem to decline with age, as they get older. I refer to the lesser amount of evidence that is available in Canada. More will come out of the 1961 census.

Since I wrote this I have received some census of Canada population bulletins, and there was a limited amount of information there about that. But we have appreciably less data than there are in the United States, but they do support the general conclusion that resources, on the whole, tend to decline for people as they get progressively older, as you would expect.

So, Mr. Chairman, I am now ready to attempt to answer questions in relation to the first part of this brief.

Mr. MONTEITH: Mr. Chairman, if we are going to follow this procedure, with which I am not quarelling at all, may I say this has been an interest of mine ever since the first day the committee sat to hear representations. I am wondering if Dr. Clark could give us some evidence that actual resources do decline as one ages and after retiring from active work and business. Is there any evidence to support a possible theory that there should be or might well be—and I am not advocating this for one moment—that there might well be some increase in the welfare scheme coming to these people as they become more aged and as their resources do decline? What evidence might Dr. Clark have to indicate this is so?

The CHAIRMAN (*Mr. Cameron*): Would you care to supplement your statement, Dr. Clark?

Dr. CLARK: The evidence might, I think, be summarized under four headings statistically, and anyone can look at the sort of logical arguments why one could expect such a sort of thing to be true.

In terms of statistical evidence, I refer this committee first of all, to information about the American regard to the Old Age Assistance program. This program assists persons age 65 and over, and there is no upper age limit at age 69, as in our comparable Canadian program. Mr. Myers has written that the proportion of people requiring assistance under this program increases with the age of recipients.

> "About 17 per cent of all women age 65 and over are assistance recipients, but the proportion moves steadily upward as age advances from a low of 9 per cent for women aged 65 to 69 to a high of 35 per cent for women aged 85 and over. The same general trend is also present for men, with the proportion receiving assistance rising from 4 per cent at ages 65 to 69 to 30 per cent at ages 85 and over."

Mr. Myers goes on to say that he expects this state of affairs will continue on into the future.

The second piece of evidence is from a detailed survey made by the Social Security Administration in the United States in 1963 of the resources of the aged. This is described in articles in the Social Security Bulletin. I have referred to them in my evidence, and the material is in greater detail than I have included here. I refer you also to the table at the top of page 4 of my brief comparing the median incomes of persons in the United States between the age of 65 and 72 and individuals age 73 and over. The retirement test stops at age 72, which is the reason for choosing age 72 as the boundary line and the table shows this fairly significant difference in income for the two age groups. Although the picture is less marked here, the same pattern tends to be true with respect to assets.

The Canadian data were referred to in part in the evidence of the Canadian Life Insurance Officers Association, who have had some statistical work done from material made available by the Dominion Bureau of Statistics. That is contained in their evidence somewhere.

The CHAIRMAN (*Mr. Cameron*): Yes, page 33, showing the average income from all sources for males and females separately.

That is useful because it is broken down from the ages of 71 to 74, 75 to 79, and 80 to 85, and so on, in five-year periods, whereas in the census data the categories already published only refer to persons 65 to 69, and 70 and over. Broadly speaking, the census data in the bulletins on population samples series 4.1-1, bulletins 4.1-3, and 4.1-4, support that, though the picture is not totally consistent.

Mr. FRANCIS: Could I ask a question relating to this?

The CHAIRMAN (*Mr. Cameron*): Mr. Cantelon was going to ask a question.

Mr. CANTELON: The question I was going to ask, Mr. Chairman, Mr. Monteith has already asked.

The CHAIRMAN (*Mr. Cameron*): Have you completed your statement on Part I, Dr. Clark?

Dr. CLARK: Yes.

Mr. FRANCIS: I was going to ask Dr. Clark if this evidence is really conclusive, because bearing in mind that the people who are retiring have had their early years of earning impaired by the depression and their ceilings enforced by the war years, we have had a period since the war of rapid and constant increase in wages, and is this status not consistent with a reflection of the pattern of the period? Concerning people going on retirement and sick people, the question is, is the United States data not strictly comparable to Canadian data because of the impact of hospital insurance in Canada and the greater advantage it would give to older persons with their sickness experience?

Mr. CLARK: You have really asked me two questions, Mr. Francis. Let me look at both of them. The second one, I think, can be dealt with more quickly. It is perfectly true that a comparison of assets is more difficult than a comparison of income. The fact that you mentioned about hospital insurance, is, I think, a minor factor really, in affecting the comparison. I think the essential comparison rests on income rather than on the basis of assets, and I think the conclusion does stand.

Now, as for the first point, it is perfectly true, as you point out, that people who worked during the depression years had substantially smaller incomes, if they were able to keep working at all. But this pattern of rising earnings in the future, I think, will continue as far into the future as we can see.

The actuary makes assumptions about increasing earnings as a 3 per cent assumption and as a 4 per cent assumption, and I should be prepared to say that as far into the future as we can look it will be true that the people who have been retired longest will tend to have the lowest resources as compared with those who have recently retired.

This is on the average, of course, and provides, I think, in principle, a sort of justification for the type of gradation of benefits by age that I have proposed.

Mr. PRITTIE: I think that this is the same point Mr. Anderson made. No matter what time it is in the future it will be the same.

Mr. FRANCIS: I am not convinced of that.

Mr. GRAY: May I ask a supplementary question relating to this topic? It was almost partially stated by Lloyd Francis that, while assets might decrease, the statistics pointed out that there was evidence that income might decrease too.

As a matter of fact, don't you provide a little bit of evidence, Dr. Clark, in your own paper when you say, I believe on the very first page of the text that:

> This is not to say that the retired, on the average, should have spending power equal to that of the whole population, because, on the average, the aged do not need quite as much as the rest of the population. They are more likely to have their home and other durables paid for than the rest of the population.

In addition there is the point made by Lloyd Francis; that is, the reference made to the type of need for older persons for medical and institutional care.

Dr. CLARK: I think, Mr. Gray, your citing of my remarks offers no support for the argument that you are advancing at all, because the statement I made was a statement referring to all of the aged, making no differentiation between them on the basis of age.

Mr. GRAY: If your statement refers to all the ages, then some of the ages must be included in them.

Dr. CLARK: That is a mathematically impeccable statement, but I suggest that it is somewhat irrelevant.

Mr. BASFORD: Dr. Clark, as a graduate of the University of British Columbia myself, I want to welcome you. I think your introduction is most welcome. We have always regarded you as rather an ornament to the department of economics in the University of British Columbia.

Now, this point is interesting to the committee since it was raised two weeks ago. We had, as you probably know, Mr. Myers in front of the committee the other day and I asked him a question on this point as other members did. I would like to refer to page 927 of the proceedings, which proceedings possibly have not come to your hands yet, sir—I don't know.

Dr. CLARK: I spent the afternoon reading his evidence.

Mr. BASFORD: I asked Mr. Myers if he felt that as a citizen grows older he should receive more social security by reason of his age and Mr. Myers' reply, as on page 928, was—

Mr. CANTELON: Dr. Clark would like to know the page.

Mr. BASFORD: Page 928.

Dr. CLARK: Thank you very much.

Mr. GRAY: I have not made any studies of this nor do I know of any studies made for such a proposal to be put into effect, and I am curious because you appear in your brief to have cited Mr. Myers as an authority for this proposition and yet when I tried in the committee to get him to support this proposition he seemed to demur from that position.

Dr. CLARK: Mr. Myers has an admirable sense of the delicacy of his position before a committee like this.

Mr. BASFORD: He has testified before many congressional committees, I suppose, however.

Dr. CLARK: I am not arguing, you will observe, that the needs of the aged progressively go up with age. All I am saying is that the resources decrease if you compare the people who are aged 65 to 69 and the people who are 70 to 74 and 75 to 79, and so on. This was the sort of statement I was making.

Mr. GRAY: Dr. Clark, is not your statement something which might be considered irrelevant unless needs do not decrease at the same rate as the assets. Let me put it perhaps a little more explicitly. You say you are making the point that assets decrease, but what is the point of making that statement unless you can show that needs do not decrease at the level of the assets?

Dr. CLARK: What I am saying is that as a general proposition the resources, the incomes in particular, that people have to meet needs tend to decrease from the years age 65 and onward. I cited to you in the brief the statistics in support of that statement. I think this raises a sufficient presumption of the validity of this case.

I agree that more statistical work could profitably be done to see precisely in what way and to what extent, pensions for the aged, if one were following this pattern, ought to be increased—say, $2 a month for each year of age after age 70, or $3 a month, or something of the sort. But, I think the general validity of the proposition stands firmly on the evidence I have stated.

Mr. BASFORD: Surely, if Mr. Myers felt their need increased then the benefits should also?

Dr. CLARK: But he was not asked that particular question.

Mr. LLOYD: May I ask a supplementary question to help clarify this? As a simple observation of fact from the statistics I point out that there is no

premium. I think that is all Dr. Clark has concluded at this stage in response to the questioning by Mr. Francis. I think he should go on and answer the rest of the question.

Dr. CLARK: If I have omitted answering any part of your question I have done so inadvertently. Would you please go on and state it again?

The CHAIRMAN (*Mr. Cameron*): I think it was Mr. Basford's question.

Hon. Mr. THORVALDSON: Might I ask a supplementary question of Dr. Clark in that regard?

Mr. LLOYD: Just to finish it off, Dr. Clark thought he had answered. May I say that as a layman member of this committee, and one who is not in your most enviable position of past experience and knowledge of this subject—and you will forgive me if I am a little slow, but I thought Mr. Francis asked you if there was not a difference between the statistics that you drew from the United States and those from Canada, which showed that in Canada we did provide for the aged, on the providing side, through medical and hospital care. Is there an analogy between the two countries? Do both countries do the same thing?

Dr. CLARK: I did refer to that actually, Mr. Lloyd, at the very outset of my answer. I agreed with the point that when you look at the resources that are needed one has to take such facts into consideration, and that they do constitute a difference between Canada and the United States.

Mr. LLOYD: I am sorry.

Hon. Mr. THORVALDSON: I just want to ask this because I am not clear on it, and it may be that my ignorance of the point may result from the fact that I was not here last week. Several times I have heard a suggestion that Mr. Anderson—and my colleagues will correct me if I am wrong—indicated that needs increase with age, and I wonder if that is part of the problem we are discussing now. I would like to get your reaction as to whether Mr. Anderson is right or wrong in that regard. I believe that is what he indicated.

Mr. MONTEITH: I should like to interject and say: As long as we do not have medicare.

Hon. Mr. THORVALDSON: Well, I was not here, and I may not be exact in my thinking.

The CHAIRMAN (*Mr. Cameron*): I believe Dr. Clark has read Mr. Anderson's evidence, and I have no doubt that he can comment on it.

Hon. Mr. THORVALDSON: Yes, that is what I was hoping he would do.

Dr. CLARK: Mr. Anderson is a man of many wise words. I went through his evidence with great speed this morning, and I am not sure that I precisely recall what he said on this. I thought he said—and I would like anybody to correct me if I am wrong—that there was certainly in the substantial proportion of cases an indication of need increasing. This is a practical question of where people who are involved in social work and in dealing with aged would be in a better position to answer than I am. This is really a question of fact. I do not think that I have any useful statistical evidence that I could offer on that at the moment. One has impressions, but I do not feel sufficiently confident in those impressions to give a firm generalization that this is the way it is.

The CHAIRMAN (*Mr. Cameron*): Mr. Knowles?

Mr. KNOWLES: Mr. Chairman, I am wondering just when one should ask questions of the type of some of mine. So far we have been on Dr. Clark's Part I which deals mainly with his preference for a flat rate benefit structure.

The CHAIRMAN (*Mr. Cameron*): I think anything related to that would be appropriate now.

Mr. KNOWLES: Yes, but I would like to ask some questions that would compare the flat rate benefit structure with the combination envisaged in Bill C-136. Do I ask such questions now, or do I wait until Dr. Clark has given us his comments on Bill C-136?

The CHAIRMAN (*Mr. Cameron*): I will leave that to Dr. Clark, but I think it would be appropriate to answer both now.

Dr. CLARK: If you feel they will not be answered in reference to the table of contents I will answer it.

Mr. KNOWLES: Relating specifically to what you say, Dr. Clark, in Part I—and I have read with interest paragraphs 3 and 4 which refer to the needs of the aged population—in paragraph 4 you say:

> Can the Canadian people afford such a standard for the aged? Like many others, I believe we can afford and should adopt such a standard.

Would you care to indicate, Dr. Clark, at what rate you think a flat rate old age benefit should be set at the present time?

Dr. CLARK: Is this on the assumption that it will not increase with age, and that it will be uniform for all individuals aged 70 and over?

Mr. KNOWLES: With all due respect, I think it applies that way, or I do not mind your taking it either way. As Mr. Monteith says, let us say it is 70. In other words, would you change the present figure of $75, and if so to what other figure?

Dr. CLARK: It is tempting in these circumstances to grasp a figure, coming down like a microphone out of the ceiling and say: "This is an appropriate one". But, I do not want to answer it in that way. I would rather think that the appropriate thing to do is to try to decide what is a reasonable fraction of spending power that is to be made available to the retired population, and then to look at it in relation to consumer spending as a whole. I would then say to myself: "What is this consumer spending power as a whole?", and I would apply that fraction and see where it came to.

Now, because consumer spending power rises from year to year the pension would need to rise also. I am not sure precisely what standard I would use. There was an attempt to deal with this by Mr. Anderson who appeared before you, in an article published by the International Congress of Actuaries and presented in London in 1964, in which he gives a comparison. This gives an approach to that. I would rather not mention a specific sum, because I would not have enough confidence that in the time available to think about it I could suggest the most appropriate figure. I have indicated the principle in which I would deal with this, and that principle implies that we would be spending, certainly over the years ahead, more than we have spent in past decades for the aged, and I have also said that I would increase it with age for the population.

Mr. KNOWLES: Dr. Clark, we do have before us Bill C-136 which is relatively precise in this area. It proposes pension benefits which, in the course of the next 10 years, be it a function of old age security or the Canada Pension Plan, will run from $125 to above $250 for a married couple. If you in this well-put-together brief tell us that you think there is a better way than a combination of the Canada Pension Plan and Old Age Security, do you not think you should be more precise and tell us whether the figure should be a figure of the kind that this bill will produce, or something between $75 and that? Pardon me if I seem to be putting the pressure on this, but there has been a parade of people before us who have told us that we should do something under old age security but do not tell us what to do, and that parade is getting rather long.

Mr. MONTEITH: May I interject for a moment, Mr. Chairman? I do not think Mr. Knowles is correct at all in putting forth this question. I do not think that Dr. Clark has had a proper opportunity to consider this, although it was his own choosing—and I am not denying that—that he suggested he go down this list of points, and that he answer questions as they arise. The remaining parts and sections of his brief are segregated, and they deal with certain clauses. I am just throwing this out to Dr. Clark, could he possibly, without dealing with each section individually, give us a résumé of his feelings and what is in his brief concerning the whole plan.

Mr. KNOWLES: That was why I asked my question before I started, as to whether this kind of question should not wait until Dr. Clark had given us both parts 1 and 2. I would be quite happy, because I would like to hear Dr. Clark not only give an answer to the questions I would put but I would like to hear him tell more about his views with respect to the flat rate benefit on the one hand and the combination on the other. I think Dr. Clark will realize I am not asking for a comparison between the flat rate and the earnings-related only, because no one is proposing it. I am prepared to wait for an answer to my questions until Dr. Clark has finished if that would be convenient for you and for Dr. Clark.

The CHAIRMAN (*Mr. Cameron*): I leave the decision to Dr. Clark as to how he would prefer to continue.

Dr. CLARK: I think you are certainly justified in saying "How can we make a comparison between a precise bill on the one hand and a concept which is not put down in strict dollar terms?" Now, no matter how long I should stay here tonight, I could not give you the sort of precise answer that you would need. My time in working on this brief was very restricted. I am Economics Research Director for the Ontario Government's commission of inquiry on provincial and local finance; I have a limited load of work at the university. I could not get enough time to devote, as I would have needed, and would have preferred to give to this subject.

When I consider the importance of making dollar commitments, knowing that once a system is based on it, that it builds up from there, I would want to think about that for a few days before I could come back and say: "Yes, these are the figures we want to have to make a comparison." This may seem to be excessively cautious.

Mr. KNOWLES: I would like you to give something out of your experience in the last six or seven years when you have been studying this very intensively.

Dr. CLARK: I do not think that I could give you the sort of dollar figures that you are looking for here without substantial research. They can certainly be developed. A system like that can be developed with considerable less strain on the brain than was involved in preparing Bill C-136. I am not prepared to do it tonight.

Hon. Mr. THORVALDSON: I think it would help me if you told me are you still advisor to the Ontario Government in regard to their thinking concerning Bill C-136 and the pension problem?

Dr. CLARK: No. Since I turned my attention to their taxation problems, I have just left the pension field alone entirely as far as giving advice is concerned. I have tried to follow as closely as I could what was going on, but I have not done anything more for several months.

Mr. MUNRO: May I ask a supplementary to what Mr. Knowles was pursuing. You indicated, in answering Mr. Knowles, that you would not be prepared to say in dollar terms what you would recommend in so far as any

increase is concerned. I think I understood you alright there. Would you be prepared to say that you are recommending some increase but you are not prepared to be specific as to the amount it should be?

Dr. CLARK: Yes, as an alternative, certainly. The viable alternatives available are not on the one hand the present Old Age Security, and, on the other hand, the Canada Pension Plan. Any workable alternative has to be more than the present Old Age Security.

Mr. GRAY: May I ask a supplementary question? Do I understand you to say a little while ago that you were a member of the Ontario Pension Committee that recommended what became the terms of the original Ontario Benefit Pensions Act?

Dr. CLARK: Yes, Mr. Gray.

Mr. GRAY: Did not that act call for providing to private insurance carriers minimum benefits for all those employed in firms employing 15 people or more and did it not give specific earnings and other terms?

Dr. CLARK: Yes, Mr. Gray.

Mr. GRAY: Did you consider them adequate?

Dr. CLARK: I always considered—

Mr. GRAY: What were they? $80 a month after 40 years service?

Dr. CLARK: I always considered this as only part of the provision for the aged, and I had in mind that they would be supplemented by changes at the federal level at the same time.

Mr. GRAY: How could you take that into proper perspective unless you had some particular changes at the federal level in mind?

Dr. CLARK: I did have.

Mr. GRAY: What were they?

Mr. LLOYD: He is trying to explain.

Dr. CLARK: The type of proposals I have been talking about in relation to old age security, relating it to age, provision for survivor benefits, and a number of other things. Mr. Chairman, I suggest that if I am to go even close to getting through part of this, I would like to step onto the next part.

The CHAIRMAN (*Mr. Cameron*): Mr. Basford has a question.

Mr. MUNRO: On the supplementary question I asked, I think it is important to consider what Mr. Knowles was pursuing there. I should like to ask if you would be prepared to recommend any increase in O.A.S. without getting down to dollar terms as an alternative to the Canada Pension Plan. I wonder what your answer would be in simple layman's terms.

Dr. CLARK: I have tried to put all my answers in simple layman's terms, Mr. Munro.

Mr. MUNRO: I was contemplating your last answer and I did not understand it.

Dr. CLARK: I have stated that I do not think that simply adding from time to time an additional number of dollars to old age security is the best alternative to the Canada Pension Plan.

Mr. MUNRO: Could I just follow that up with one more question? What do you feel would be a reasonable alternative to the Canada Pension Plan?

Dr. CLARK: I think that perhaps for the third time we are entering the same circle, Mr. Munro, and I have nothing to add to what I have said on this point, because it would take substantially more research for me to come up with some dollar figures that you could put side by side with those and say "Well, now, here are two things that we can develop."

Mr. MUNRO: In terms of very general principles, could I ask you are you in favour of a universal flat rate type of pension, somewhat similar to the O.A.S.; or would you recommend an earnings-related approach such as that of the Canada Pension Plan; or is there some other type or basis?

The CHAIRMAN (*Mr. Cameron*): Mr. Munro, I may call to your attention that part I is "A Statement of Preference for a Flat Rate Benefit Structure" that Dr. Clark is advocating. He gives a number of paragraphs dealing with portion of his brief. I think he sums it up on page 5, as to why he thinks the old age security or the universal plan is in his opinion the preferable plan, but he is not getting down into details. It is my opinion that is the preferable way of dealing with the problem.

Mr. MUNRO: Yes, Mr. Chairman, I was looking at page 5. In the first paragraph on that page, he says:

> Because the Canada Pension Plan provides earnings-related benefits, it cannot provide universal coverage. Many who are excluded from coverage on administrative grounds are among the poorest in the country.

I feel that is like saying it has missed the end, and it is almost somewhat of an indictment of the earnings-related Canada Pension Plan, since that is one of the essential features of the plan. Since it does not in Dr. Clark's opinion cover some of those people in the poorest category amongst our citizens, I simply wanted to ask, in his opinion, what alternative he would recommend in order to accomplish the end that apparently has been missed by the Canada Pension Plan.

Dr. CLARK: Mr. Munro, I have very little time with you people, and I feel frankly that we are wasting it. I have already answered that. I have answered it three times. I have said I would modify old age security by making the benefits increase with age. I would also provide flat survivor benefits and disability benefits.

Mr. Chairman, with your permission, I would like to go on to part II.

Mr. LLOYD: I am going to suggest a change of procedure. Perhaps for those of us slower in apprehending, it might be better if Dr. Clark put the skeleton of his total proposal before us and in this way we would save time, as we would see all the bones of the skeleton in better perspective.

The CHAIRMAN (*Mr. Cameron*): I do not know if we should change course in the middle of the stream. If Dr. Clark thinks he should adopt that suggestion and if it meets with the approval of the committee, that is certainly all right; but if he prefers to carry on the way he is, I think we will have to deal with him in that way.

Dr. CLARK: In part II of this, what I am doing is accepting the assumption that the Government will want to proceed with a pension proposal in which the benefits are related to contributions. For the whole of part II I am assuming this. Now, I am saying, having made that asumption, are there significant changes that are worth making. I think there is a substantial number. These are essentially unrelated points and that is why I would like to deal with them separately.

The CHAIRMAN (*Mr. Cameron*): I think we had better proceed in that way.

Dr. CLARK: These are points of substantial difference in importance. Some of them are relatively minor and some are more significant. I have followed this through in terms of the sections of the bill and not in order of their importance. I begin with a comment that what we are dealing with here is social insurance. This is at page 6, gentlemen. I have tried to include the consequences of having this social insurance legislation, in comparison with our

Old Age Security Act, which is not social insurance. Later on, I shall refer to some consequences of that distinction.

Having done that, I go on to make the comment that inequities which are relatively small when the contribution rates are low become of increasing importance as the rates of contribution ultimately rise. Therefore, where it is possible, it is better to eliminate these from the outset, if it can be done.

The first clauses 8 and 9, refer to employers and employees contributions. This is not a point of major importance. It relates to refunds, on the one hand, to employers, and, secondly, to the problem for employees and employers having to pay in some cases most or all of their contributions in the first part of the year, and not make a contribution in the latter part, because the full contribution has already been made.

I suggest that unless there are questions, I pass on to clause 10. Clause 10 deals with the contributory earnings lower limit for the self-employed, which is some 20 per cent higher than the figure for employees. Now, they will be charged at the combined rate, which I think is reasonable, but there does seem to me to be some inherent discrimination against the self-employed in this procedure. This arises because part of their earnings are really, in many cases, a return on their capital. I have suggested that a way to deal with this would be to allow the self-employed to make a deduction in computing their income, which would be credited to them, contributions of 6 per cent would be my preference, on the capital or net worth of their business.

Now, the self-employed who have no capital would not be affected by this. For those who would be affected, you are aware of the fact that for income tax purposes the self-employed in Canada, though not in the United States, are required to furnish a balance sheet. Therefore, this is not asking for something in the way of information which they have not provided, generally speaking, in the past.

I notice in Mr. Myers' evidence an alternative way of dealing with this. He was not referring to the Canadian situation, only suggesting that the self-employed might be charged a double rate, but making the flat assumption that half of their income constitutes business expenses and therefore should be deducted. That is a simpler idea, simpler to administer, but not as equitable, because as among different self-employed persons some use virtually no capital, and some, such as farmers and others, have to use a great deal.

Are there any questions in relation to this?

Mr. CANTELON: I think this is the first time this suggestion has been made, and I notice that you say frankly you do not know if it is administratively feasible. It is certainly an interesting suggestion, and one that I think has merit in it. I can see where the farmers in the prairie provinces would be very much concerned with such a clause if incorporated into the act. I was wondering if we could find out if this is administratively feasible. I will not ask you that, Dr. Clark, but perhaps the departmental officials could review the problem and see whether something could be done to work out a scheme for doing this.

The CHAIRMAN (*Mr. Cameron*): I do not know if Mr. Osborne is prepared to give a short answer.

Mr. LLOYD: At the risk of incurring someone's displeasure, Mr. Chairman, I would like, before Mr. Osborne is asked the question, Dr. Clark to repeat his observation with respect to deductions of a certain percentage when computing capital or net worth. I think this is an interesting subject, but I think we should make clear before we put to Mr. Osborne the question, that we understand Dr. Clark's recommendation.

Dr. CLARK: This is a proposal that, supposing a self-employed individual reports an income, let us say $4,000, say on the operation of his store, that

he will have certain assets and certain liabilities. The difference represents his net worth. We would allow him to deduct 6 per cent on that net worth, to arrive at what his earnings would be, and he would contribute on that basis and receive benefits on that basis.

Mr. LLOYD: Why deduct 6 per cent?

Dr. CLARK: I suggested that for two reasons. I may say that the whole idea for this proposal did not originate with me. Like so many new ideas, this one came from Mr. Anderson. I heard him give this in an address to the Canadian Tax Foundation in Montreal, about two months ago. The reason for the 6 per cent is, first of all, that this is a rate for business borrowing from banks. It is also the rate of return made by corporations as a whole—the profit and the loss corporations, as reported in the green book, on their investment capital. So you might say that this is providing for the unincorporated business the sort of reasonable comparison for the rate of return of all corporate enterprise, taken as a whole.

Mr. MONTEITH: May I ask a question? I am assuming when you suggest he has reported net income of $4,000, he has already deducted full depreciation on his fixed assets, and so on.

Dr. CLARK: Yes.

Mr. LLOYD: And you are suggesting, Dr. Clark, the rate of 6 per cent of the net worth at the end of each year?

Dr. CLARK: Yes.

Mr. LLOYD: And even though that net worth figure might be the resulting figure from earnings made, less withdrawals for personal consumption, which may have no relationship whatsoever. I suggest to you, and I know I can defend this, that 99 per cent, almost 100 per cent of the cases bear relationship to each other. You are suggesting that we provide a contribution at the rate of 6 per cent on the net worth of self-employed people at the end of each fiscal year. Am I correct in this, or wrong?

Dr. CLARK: What I am suggesting, Mr. Lloyd is, that if we fail to make any deduction and just charge on the net income the 3.6 per cent, we are discriminating against the self-employed as compared with the employees; and the purpose of this proposal was to put them, in so far as possible, on an equal footing.

Mr. LLOYD: And therefore you have chosen as the answer 6 per cent of the net worth—5 or 6 per cent?

Dr. CLARK: Yes.

Mr. LLOYD: You have chosen a percentage of net worth to do it?

Dr. CLARK: Here is a man who has a net income, a self-employed man, running a store or a farm. Part of that is a return on his assets; part of it is equivalent to what he would have obtained if working for somebody else. It is just the second part we are concerned with, I believe, so that we are treating the two employees and the self-employed comparably.

The CHAIRMAN (*Mr. Cameron*): Did you get your answer, Mr. Cantelon?

Mr. CANTELON: Yes, it seems to me reasonable enough.

The CHAIRMAN (*Mr. Cameron*): Thank you. Mr. Knowles?

Mr. KNOWLES: I have one question on paragraph 23. Maybe my arithmetic is correct, but you used the figure of 20 per cent. Is it not 33⅓ per cent? I mean, $800 is 33⅓ per cent more than $600, and according to clause 10 of the bill the calculation is stated as 1⅓.

Dr. CLARK: Mr. Knowles, with your background, you will appreciate the quotation from Proverbs:

> Whoso loveth instruction, loveth knowledge: But he that hateth reproof is brutish.

I hasten to accept your correction.

Mr. KNOWLES: What can a poor minister say!

Mr. LLOYD: Mr. Chairman, I may be wrong, but Dr. Clark, are you not trying to establish a position of equity as between employee and the self-employed?

Dr. CLARK: Yes.

Mr. LLOYD: Many of the small concerns which operate an enterprise with varying amounts of capital, some with none, and some with a great deal, such as Mr. Monteith and I who have an office and a desk, and some clients. On the other hand, we can point to the drug store, the pharmacist, operating his own drug store, with $15,000 or $20,000 tied up in liabilities. Are you trying to make a distinction from what he might have paid a manager to operate his shop?

Dr. CLARK: Yes.

Mr. LLOYD: And you are suggesting that in the case of this kind of earnings we need to examine the kind of earnings to make sure there is no inequity?

Dr. CLARK: I am really going beyond that.

Mr. AIKEN: You are like Mr. Munro, you have to listen three times before you believe.

Mr. LLOYD: I am certainly not convinced yet.

Dr. CLARK: Mr. Chairman, what simply is involved here is that the whole philosophy of this bill which the Government is putting forward relates to obtaining contributions on the basis of earnings from individual effort and not earnings from capital. This is why it seemed to me this was a possible change that might be considered an improvement.

Mr. LLOYD: I understand that.

Dr. CLARK: I turn to clause 17, the contributory earnings upper limit. This is a very difficult matter to set, and it raises quite a number of problems. I was certainly very taken with the idea for setting the upper limit put forward by Mr. Myers in a paper which you asked should be included in your evidence, and I shall not, therefore, take the time of the committee to elaborate on it. He suggests it should be based on the first earnings in quarter of the year, as reported to the Social Security Administration. He was not advocating this specifically for Canada, but the idea did appeal to me. If you take the bill as it stands, having used the pension index for several years, into the seventies, it will come out fairly close to Mr. Myers' proposal anyway. The question arises: is it useful to have an index to raise the earnings upper limit? You will recognize the distinction he made in his mind was that he thought it better not to have benefits related to an index, but thought it reasonable to use the equivalent of an index, which is really what he is doing, for the contributory earnings upper limit. I simply want to say I like the idea of using such an index. If you follow his proposal literally you do not need an index for that purpose. The only disadvantage of it I see is that it does increase the extent to which the program gives larger dollar subsidies to those with earnings at or above the upper limit as compared with contributors with much lower earnings. You have heard that many times, and I do not need to dwell on that.

I would like to go on to clause 20 dealing with the pensions index. I would like to modify the evidence I have given here in this respect. This is, again, a very complicated matter, and I have great difficulty in making up my mind on this point. I am altering the position taken in the brief, again, after reading Mr. Anderson's evidence and thinking about it.

There are difficulties with the use of any pension index. These do not stem from the fact we want to protect pensioners against inflation. I think that is a fairly general objective everyone would have. It is a question, really, of what is the best means of achieving that objective. The arguments against the use of an index really are few in number. There is Mr. Myers' argument that it puts an element of inflexibility into the system because all the benefits ride up in the same proportion. But there are other objections. There is also the fact it is very hard to get the most appropriate index. We do not have any index that does relate to the spending of the aged which, in principle, I think you would say, if there were such a one, would be the most appropriate one to use. There have also been a number of arguments among economists as to how effective the index really is, whether over long periods, we can adequately incorporate changes in the quality of products as distinct from changes in the quantity of products.

Mr. Anderson presented an idea in his evidence which appealed to me considerably. It avoided the difficulties I can see, including the arbitrary restriction which is put in the bill that the pension cannot rise more than 2 per cent. I have attempted to comment on the reasons why that was put in. His proposal, as you will recall, was to say: Let us not relate benefits, once they are in payment, to a price index. Let us relate it to a fraction of the earnings index. Earnings will go up partly because of increased productivity and partly because of inflation. This being the case, he said, we should have our benefits rise as a fraction of the earnings index. We would be improving the position of the aged without having to go fully as far as having them share 100 per cent with the increase in earnings after they have retired. The proposal that he made was, if you like, to take the square root of changes in an earnings index. I do not suppose anybody ever got elected to office on the basis of a square root. This is a difficult concept to explain at the best of times. But one, I think, can take the argument, without necessarily having to use the square root. You might decide, for example, instead of using the price index at all, that what you would do would be to increase benefits on the basis of, say, half of the increase in the earnings index, or some other fraction. If you do this you avoid having to bring in a price index at all. I do think that offers considerable advantages over the proposal in my brief.

Mr. MUNRO: Mr. Chairman, could I ask a question on clause 20 that Dr. Clark has been discussing? As I recall Mr. Anderson's evidence that you have referred to, he was not at all worried about the fact of even using the consumer price index. He was not worried about any inflationary effects from using such a price index, though he would have preferred another type of indexing system. Would you agree with that conclusion of Mr. Anderson?

Dr. CLARK: I am not really sure, Mr. Munro, whether you are asking me one or two questions. Would you allow me to state them both, since I would be unhappy to be putting unwanted words into your mouth?

One is: Would I be concerned about the possibility of inflation developing in the future in the Canadian economy? The other is: Do I think the Canada Pension Plan, in the form in which it is in the bill, would be likely to be a factor causing a significant amount of inflation in the long run? Is it the second question you had in mind?

Mr. MUNRO: That is quite right.

Dr. CLARK: In answer to that, the Department of Finance has suggested that the impact of the bill would be to raise the level of prices, broadly speaking, on an average of about 1 per cent. That would be the initial impact of it. Then the question of what is going to happen after, I think, depends on two types of consideration. In the first instance, I think the Canada Pension Plan will tend to lead to an increase in savings, because I do not think employee pension plan contributions from employers and employees will drop as much as contributions go up for the Canada Pension Plan. In the long run, however, if we take the bill as it currently stands, I think there will tend to be a slight decrease in savings from what there otherwise would be. This depends whether you change the contribution schedule, but if you make it on a strictly pay-as-you go basis, what you are doing, in effect, is putting out more money into the hands of people who have retired. They on the whole have, I think, a slightly higher tendency to spend than the rest of the population. Therefore, that would tend, I would think, probably, in the long run, to have a slight inflationary pressure beyond the original impact. Then, of course, when contributions are raised again, as they will ultimately need to be, or further benefits are introduced from time to time, there could be such an impact again. I do not really see a major degree of inflation arising as a result of the plan, however, now or, say, in the next 20 or 30 years.

Mr. MUNRO: Now, just following along this line, Dr. Clark, you have indicated—and I imagine this was subsequent to your brief—that after reading Mr. Anderson's evidence you rather like his suggestion of plans instead of price indexes as far as the present old age benefits are concerned, that it would be better to index them according to, I think you said, the square root.

Dr. CLARK: That was his proposal to bring in the square root of the changes in earnings, yes.

Mr. MUNRO: I see.

Dr. CLARK: I said a fraction. I would not use the square root because I think it is too difficult to explain and you can get a reasonably good fraction without doing that.

Mr. MUNRO: His evidence was that he advocated earnings index rather than a price index. Now, you term the square root—

Dr. CLARK: This was what he proposed to use.

Mr. MUNRO: Would you agree that attaching it to that type of index would result probably in a larger amount of money coming to the old age pensioner in terms of dollars rather than attaching it to the consumer price index.

Again, I suppose the answer to that would depend on what fraction you would be prepared to recommend or what fraction was adopted by this committee, and I am wondering if you have anything to suggest in the way of what fraction might be advisable to overcome the deficiencies of attaching it to the price index that you have mentioned?

Dr. CLARK: I would not like, again, just having the question put up to me like that, to say that it should be 50 per cent. This is the sort of thing that requires some thought. This is the sort of thing where I think I might be able to, if the committee wished, write a subsequent letter on this after I had thought about it, if you wanted me to.

Mr. MUNRO: Thank you, Dr. Clark. You have recommended in your brief that you feel that getting back to the consumer price index that you felt it should go down as well as up if it were adopted. I understand that from your

brief, on pages 10, 11 and 12 and further, that as far as limiting any increase to 2 per cent you don't feel that that is advisable, and, in fact, I think you say on page 12, paragraph 34:

> If a ceiling on annual percentage increases in the Consumer Price Index is to be used, I should prefer to see 3 per cent rather than 2 per cent. Obviously this is a compromise proposal. This would reduce the lag of pensions behind the Consumer Price Index if inflation in any year exceeded 2 per cent.

Dr. CLARK: These were the views I stated before I had gone through Mr. Anderson's evidence, and, if I had read the evidence first and thought about it, I would have put them in in place of this. On the question of having the pension index go down as well as up, the logic I think of it is that if the aged are going to be protected against a loss of purchasing power they should not be in a preferred position to the rest of society as prices go down. But as I said I recognize that in the realm in which you gentlemen richly earn your daily bread, the idea of reducing a Government pension may be as untouchable as the cows in a Hindu village.

Mr. KNOWLES: Mr. Chairman, does Dr. Clark think that that is the only reason that this committee entertains the idea of not providing for a downward change?

Dr. CLARK: No, I did not mean to imply that, Mr. Knowles.

Mr. KNOWLES: Thank you.

Mr. AIKEN: I don't think the committee has anything to do with it, if I may be so bold as to say so. It is a Government proposal and if the Government does not propose to go down that is perfectly valid political comment.

Mr. MUNRO: I don't think it is fair either, but I don't want to go into that aspect. If somebody wishes to pursue that line of questioning, then fine. My own question is that, leaving Mr. Anderson's evidence aside and just referring to your own brief, Dr. Clark, I take it from your remarks that you are not as enamoured now with the recommendation of 3 per cent after having read Mr. Anderson's evidence, and you also indicated—and if I am being unfair to you you will indicate it—you are not too concerned about the inflationary effects of this index system that has been proposed.

Dr. CLARK: Let me just say one or two things here. If the consumer price index is to be used I would prefer a ceiling of 3 per cent to one of 2 per cent. If you recall the time of the Korean incident, the consumer price index went up in the one year from 103 to 113.7. Now, on your 2 per cent limit it would have taken in practice, if that had been in effect at that time, approximately a decade for the pensioners to catch up, whereas if you had three years at that 3 per cent limit they would have caught up within four years.

Now, of course, it is perfectly true that there can always be legislative action taken in a case like this, and when one sees that the old age security pension has been raised substantially more than the consumer price index has gone up in the past decade, 87½ per cent as compared with 14 per cent, one realizes that the members of Parliament are fully aware of this problem.

Mr. MUNRO: I am referring to page 10, paragraph 30, of your brief, where it says:

> I regret the growing acceptance of the opinion that inflation of 1 or 2 per cent a year is acceptable as well as inevitable. The view that such inflation makes a significant contribution to minimizing unemployment is unconvincing to me.

Now, again, I would think that you are obviously referring to the fact that the Government is recommending a maximum of 2 per cent on the price index. How do you reconcile that with your suggestion that we increase it to 3 per cent?

Dr. CLARK: We are really talking about two different propositions here. When I am saying that I regret the growing acceptance of the opinion that inflation of 1 or 2 per cent a year is acceptable as well as inevitable, I am not talking about the Canada Pension Plan at all.

However, this is the opinion one increasingly encounters—and you may ask what is the reason for this, and the answer is this: This is the only way we can hope to deal with the problem of employment satisfactorily, and I have said that I do not find this a particularly convincing answer. A simple correlation study over the past 12 years, comparing changes in the consumer index to changes in the unemployment, shows a correlation of .007 and even if you do it with lags of changes in unemployment behind changes in the price level, it does not significantly change the conclusion.

Mr. MUNRO: But, Dr. Clark, in paragraph 30 in the first sentence you are in fact relating these observations to us:

> I am concerned that the use of a price index to protect the real value of pensions will cause the present and future federal governments in Canada to weaken their efforts to maintain the value of the dollar.

And then you carry on with the other sentences which I quoted earlier. So it would certainly seem from that paragraph that you are relating your conclusions as to the pension.

Mr. PRITTIE: That sentence could almost be in brackets. This is a difference in point of view of economists about the point of view of the economy and that is almost an interjection.

Mr. LLOYD: At best, Mr. Prittie, as you observe, the economists are prophets of possibilities, and you work from year to year and shoot for targets and cannot be too precise. You hope you can hold the line and there can be variations of judgments made.

Dr. CLARK: There are variations of opinion among economists.

Mr. LLOYD: He just does not agree with that and that is all.

Dr. CLARK: Now, clause 22 is again a minor point.

Mr. AIKEN: Dr. Clark, before you go on to that I did not realize that you were going to leave the point. Shortly stated, your proposition is that if there is an index of 2 per cent mentioned in this bill the mental approach to the whole economy is one of inflation. Now, I think that we have had witnesses here previously who have said that actually the mental approach to inflation is almost as serious as the real approach.

Dr. CLARK: A number of people, as I have said, with or without justification, will come to believe that the Government no longer is confident that it can keep prices stable.

Now, I went on to say that part of the price, of that fairly widespread belief that a mild degree of inflation will continue is that the Government has been forced to pay higher rates of interest to compensate people who buy its bonds—Canada Savings Bond and the like—and I am concerned about the psychological aspects of inflation.

Mr. AIKEN: In the reverse situation, would the absence of a downward reduction of the price index, when there is not very much expectancy on the part of the Government that there may be such a downward—

Dr. CLARK: The Government does not fear deflation.

The CHAIRMAN (*Mr. Cameron*): Mr. Aiken, if I may suggest it to you, we are going through Parts I and II—Part II contains many clauses of the

bill—and then we have to go through Part III. It is now 10 o'clock. Having read Part II members will be able to make their own deductions. You can make your deductions, and others who read the brief can make their own deductions. I think the brief is very clear and precise. Dr. Clark in paragraph 3 is stating that he is concerned, and members can draw their own deductions from that. I am only suggesting that if we are going to get the benefit of Dr. Clark's knowledge we have not got the time to go into each paragraph. Of course, it is up to the members, but I am only making that suggestion.

Mr. AIKEN: I will be only too glad to accept your advice, Mr. Chairman, if Mr. Lloyd and my other colleagues will desist from asking their questions three times over.

Mr. LLOYD: I think the record will answer this attack on the part of Mr. Aiken. We are endeavouring to get on the record some meaningful observation, but he is too adept at—

The CHAIRMAN (*Mr. Cameron*): Order, gentlemen.

Mr. MONTEITH: Mr. Chairman—

Mr. AIKEN: I have asked only two questions this evening.

Mr. LLOYD: We will give you an opportunity to put some intelligent questions.

Mr. MONTEITH: Mr. Chairman, may I make an observation. We are all a little slap happy. I am trying to be serious when I project this thought. I should not say this because I do not want to raise any ruckus in the committee, but I thought this was going to happen when we started in on these marathon sessions. I think we should call a limit to these sessions in the evening—not necessarily at 10 o'clock, because I am willing to sit after that time, but here we have a rather comprehensive brief, and I am wondering if by any chance the representations to be made tomorrow morning might be somewhat shorter than usual if Dr. Clark could stand in the wings and hold himself available so that we may continue with him if we finish early.

The CHAIRMAN (*Mr. Cameron*): He has indicated he is willing to do that.

Mr. MONTEITH: May I suggest, sir, that we are all victims of fatigue. I am serious, sir, when I say that we are driving ourselves needlessly. We are not able to absorb all this.

Mr. MUNRO: If I have asked too many questions with respect to the recommendations of Dr. Clark, as an alternative to the Canada Pension Plan, then I am sorry, because I seriously did not understand what he was in fact recommending. So far as the questions concerning inflation are concerned, no matter how hard we have worked I am afraid I would still want to ask Dr. Clark the questions I did ask in that respect. I do not see anything improper about them.

This is a very sizeable brief, and Dr. Clark has obviously done a great deal of work on it, and if we are not able to finish it tonight perhaps we can continue tomorrow morning. If that is the feeling of the committee then I am agreeable with it, but I do not like these inferences—

Mr. KNOWLES: May I make a suggestion, Mr. Chairman?

The CHAIRMAN (*Mr. Cameron*): Yes.

Mr. KNOWLES: It may be that there will be no substance in it at all. We are getting slap happy all right; indeed, I am not going to talk about the subject matter of the bill, but I think with all due respect to Dr. Clark I would point out that he deals with a few phrases and then asks for questions, and that causes all these interruptions. My suggestion is that Dr. Clark should finish his remarks tonight without any more questions from me or anyone else, and then let us have the questions in the morning.

Mr. LLOYD: That is, if questions are necessary. At the conclusion we may not think they are necessary.

Mr. KNOWLES: Yes. I suggest that we impose upon ourselves the non-asking of questions tonight.

The CHAIRMAN (*Mr. Cameron*): We want Dr. Clark to go back to Vancouver with a good impression of this committee.

Mr. MONTEITH: It will be very difficult.

Dr. CLARK: I shall be happy to accept your suggestion, Mr. Knowles.

Clause 22 simply deals, it seems to me, with excessively severe penalties in connection with the contributions, having in mind, on the one hand, the many opportunities for genuine misunderstanding on the part of the public, and the contrast with the meagre rate of interest allowed on refunds. Also relating to the same clause there is the suggestion which, I believe, originated with Mr. Knowles, that since the program is properly charged with administrative expenses, both the interest and penalties collected under this clause should be credited to the Canada Pension Plan Account.

Finally, there is the matter of the transition period to full benefits. I —and this is a matter of personal opinion—regard this as excessively short, bearing in mind that the benefits are graduated, because I feel that it involves unjustifiably large subsidies from future generations of contributors to those who will receive benefits in the first decade.

I turn now to clause 43, the basic number of contributory months. If we had a somewhat longer period or larger number of contributory months then it would be feasible to increase the percentage of months of drop-out, and this would be helpful to those who had to retire at age 65. As it is now with the 10 per cent drop-out, for example, an increasing number of university students, especially women who will find it hard to earn much in the summer, will have used up their 10 per cent before they have reached age 24. I am suggesting that if the 10 year period is retained it might be appropriate to increase the percentage to 15 per cent, but this would, of course, only benefit those who did contribute for at least a decade. Of course, for all such changes, which would cost somewhat more, you will have to decide whether they are worth it.

The next is an unrelated clause, as to when a person shall cease to be deemed disabled under the Disabled Persons Act of Canada. This is the means test program. It says:

> ... the provincial authority will suspend payment of the allowance to any recipient who, in the opinion of the provincial authority, unreasonably neglects or refuses to comply with or avail himself of training, rehabilitation or treatment measures or facilities provided by or available in the province.

I am suggesting that, if there is a need for that in a means test program, there is an even greater need for it in a program that has no means test involved.

I point out that there is a corresponding clause in the American Social Security Act and I recommend such a clause in this bill.

I think it highly desirable that, from the outset, there should be an emphasis on the rehabilitation of disabled persons. Of course, it does involve co-operation with provincial governments who have facilities for this work.

I do not think I need elaborate on the next point, how pleased I am to see the Program include pensions for the disabled and widows, benefits for orphans, and a death benefit. All of these are very much needed.

Next comes clause 58. I regard it as unnecessarily arbitrary to limit the amount of orphans' benefits so that the total benefit does not increase significantly if the number of orphans exceeds four.

Then there is a minor suggestion on recovery, in clause 65, which requires no comment.

I come now to the earnings test. This is one of the most difficult parts of the whole program. I had great difficulty in making up my mind on this particular point, because one's attitude towards it depends so much on what one thinks are the relevant criteria by which to decide. I have given the views of the American Advisory Council. I have referred to the fact that this test is the most unpopular feature of the American program and I have explained why. I have explained the reasons in support of it. There are four criteria which are relevant in balancing these considerations. The first is the principle of adequacy of benefits, which certainly supports having such a test, because after all, as I have said before, we are talking about social insurance and "no loss, no benefit" is an inherent principle involved with social insurance. The second is the principle of individual equity and what that implies. That implies, I think, that the bill does discriminate against a number of people who will decide to work after age 65. This would happen in Canada: it happens in the United States, as Mr. Myers has said.

Then you have got another consideration. Do you think it is socially desirable to encourage people to work after age 65? Are you trying to get them to withdraw from the labour force?

Then you have, finally, the consideration of the costs involved in making the test somewhat less restrictive in its operation.

I have included my own views that the test is excessively restrictive in its present form. As a compromise, I have suggested raising the one dollar for two dollar band of income from an initial maximum figure of $1,500 to $2,000.

I would like to make one other comment in relation to the earnings test, and this is not included in my evidence before you. I observe that the definition of income which is going to count for the earnings test is a different and a broader definition of income from what is used for obtaining contributions. This seems to me to be unfortunate. I should have thought it would be better to use the same definition for both. I am thinking partly of administrative considerations here. For example, if a person goes outside the country and works, it would be very hard to find out if he is reporting the income to you so that you can compile this. I think that if you use the same definition it would be easier to handle administratively.

I do not need to comment on clause 85. Clause 107, communication of privileged information, also requires no comment.

I come then to limitation on payment from the consolidated revenue fund. This is a point on which I feel strongly. The idea is put in almost, I will not say in an offhand way, but it is put in in an indirect way. What it says in effect is that the program will require to be self-supporting, so that if revenues run out to pay benefits at some future time, as the actuary predicts, Parliament would have to take action either to provide the revenue instead from the consolidated revenue or from some earmarked tax, or from revenue raising contributions. It is interesting to note that the American Government has insisted that its program of Old-Age, Survivors and Disability Insurance be kept self-supporting.

I think it entirely desirable that that should be done here also. I give the reasons for that.

It is very easy for the public not to understand what is involved in the financing of this, because one major reason is that flat plus graduated pensions will come from at least four sources; partly from personal income tax, partly from corporation income tax, partly from sales tax and in part contributions based on earnings.

It is particularly easy to increase pensions. I am not thinking of this particular Government, I am thinking of decades ahead, regardless of what government will be there. It is particularly easy to raise pensions more than they should be in relation to other government expenditures, simply because the impact of a lot of the burden can be deferred to future generations. They will have to pay more. In contrast, if you want to raise family allowances, you have the immediate cost right there to balance against it. I think this makes a difference. Therefore, I should like to see an emphasis, a declaration by this committee, saying that they are in favour of having this program financially self-supporting.

I hope, too, that they will give their support to the principle of equal employer-employee contributions. This is not necessary, I realize, in order to obtain the money. It could all come by just taxing employers, as is done in Sweden, but psychologically it is a good thing for people to have to contribute. This is one of the reasons why the American program is as popular as it is with the man in the street—because he thinks "I contribute to this, this is something I earn by contributions that I make." He overstates the extent to which he paid for his benefits, but it certainly adds to the psychological appeal of that program.

As so many people said to me when I was investigating it several years ago, "This is not something that the Government hands to us, this is something that we are doing for ourselves," so I think it is valuable to have an employee contribution in as well.

I come now to clause 116, the position of the chief actuary. Such an individual is in a critical role in this program, just as Mr. Myers has been in the United States, because actuarial computations are extremely complicated and those who are non-actuaries have to depend to a large extent on the figures that he supplies. I think it very important to enhance the prestige and the position of the chief actuary. That is why I would like to see this individual—and I esteem Mr. Clarke most highly in this position—responsible directly to Parliament and not simply to a cabinet minister. This would mean that he could be dismissed only by Parliament. I do not think it would necessarily mean that he would have to be appointed by Parliament. It also would mean that his reports would be made to Parliament.

In the same clause there is a reference to long-range forecasts and a reference that the actuary must make forecasts for at least 30 years. I want to point out that, since you cannot see the full cost of any proposal for amending on increasing benefits and the like within a range of 30 years, it is important should you have forecasts for a much longer period of time. This does not mean that you will assume conditions will remain unchanged for 50 years or so, but that you will be able to assess the long-range cost implications and benefit indications of what you are doing. It is with this in mind that the Advisory Council in its 1965 report in the United States says that the long-range cost should be projected by the chief actuary for 75 years. Everyone knows perfectly well that there will be many changes in that space of time.

In clause 117 I refer to the advisory committee set up under the bill. I was very happy to see this included, because such committees have been very constructive and have made an immense contribution both in the United States and in Britain.

The man who is in charge of the American program, Mr. Robert Ball, told me several years ago, in conversation, that most of the best ideas for reforming that program that had been put into effect come from the successive advisory councils and not from the members of Congress. Members of Parliament would doubtless contribute more in this country.

Mr. Chairman, that completes the comments I wanted to make in relation to the clauses of the bill.

After the weary day, Mr. Chairman, you might feel that you wish me to desist. I have some statistics that I would like to pass out to you, which you might like to have for light reading—it is a single sheet—between now and tomorrow morning. I can explain in a very brief moment what I have in mind here. I notice that the Economic Report on the Canada Pension Plan, an excellent report prepared by the Department of Finance, tells about the impact of the Canada Pension Plan on business. It speaks of business pretty well as an entity, but it did not speak to a significant extent of the different impact of the plan on different industries. In the very short time at my disposal I endeavoured to deal with this problem.

I wrote this brief in Vancouver, but in Toronto Mr. Anderson asked me if he could take my brief home with him to read it over night, and I said yes. So he called me the next day and said, "I have some statistics for you—yours are incomplete, you give only some industries. So I went home and put in all the industries, and I give it to you as a gift. This I have taken from the Dominion Bureau of Statistics, and it is comparable for all industries. Both this sheet and the tables in my brief are an endeavour to compare the difference of the impact of the Canada Pension Plan from one industry to another. Also I have attempted to show the range of differences within certain industries.

Now, all of this is in no sense a criticism of the bill. Any bill you have for providing income for the aged will have to be paid for, and in whatever way it is financed it will have some different effect on industries, so this is just for factual information, nothing further.

Lastly, on the relations between old security, old age assistance and the Canada Pension Plan, I think I might deal with that tomorrow morning, for weariness enshrouds your faces. Thank you for your patience.

Mr. MONRO: I just wanted to indicate, Mr. Chairman, that we shall have the Social Workers here at 10 o'clock. Presumably we will have finished with them in time to hear Dr. Clark again, but in all fairness to him I think he should be advised that the Social Workers were given an appointment for 10 o'clock.

The CHAIRMAN (*Mr. Cameron*): Yes. Mr. Munro is suggesting we may run out of time; we are not certain.

Dr. CLARK: I am certainly willing to carry on this evening, as long as you gentlemen have the patience and endurance to stay.

Mr. MONTEITH: I am sorry, we are running out of endurance.

Mr. KNOWLES: With respect to tomorrow, Mr. Chairman, the Social Workers brief does not look like one that will take all the morning. It is composed of seven pages. However, the Canadian Congress brief—

The CHAIRMAN (*Dr. Cameron*): That will be heard in the afternoon.

Mr. KNOWLES: I suggest that we adhere to the commitment that we made, for the Social Workers to appear before us at 10, and the Canadian Congress at 2.30. Probably Dr. Clark could be heard between 11.30 and 12.30.

Dr. CLARK: That is agreeable. That would allow an hour.

The CHAIRMAN (*Mr. Cameron*): Senator Fergusson will be in the Chair, and I am sure with the co-operation of the committee good progress will be made.

Mr. MONTEITH: She will keep us in order!

Mr. KNOWLES: She is partial to social workers.

Mr. LLOYD: I am not in a hurry and I am not weary, but I shall go by the majority wish only. I am quite prepared to stay.

Mr. GRAY: I am also prepared to stay, Mr. Chairman.

APPENDIX A27

FEDERAL SUPERANNUATES NATIONAL ASSOCIATION

Office of National Secretary-Treasurer

2696 MacDonald Drive, Victoria, B.C.

SPECIAL BRIEF

Thank you for your request as received from the Clerk of your Committee, dated November 26, 1964.

Further to our National Secretary-Treasurer's letter dated December 7, 1964, addressed to the Clerk of your Committee, we are now pleased to submit the following Special Brief, issued on behalf of, and with the authority and backing of the members of the Federal Superannuates National Association, now organized from coast to coast, and representing, presently, approximately 37,000 Federal Civil Service Superannuates and widows.

This Brief, detailed especially for your Committee's consideration, and report, is issued "without prejudice" to all prior, or subsequent briefs if any, that will be, or have been issued direct to the Prime Minister, or any Government Member, or Official, duly appointed by the Prime Minister to receive and reply to such briefs and submissions.

This Special Brief and all prior briefs above referred to, request parity of pensions to all Superannuates, in order to restore the purchasing value of the dollar, from its now low value of approximately 37 cents to $1.00. Such parity increase would be governed by the classification, grade, and years of service of the Superannuate, and would be based on parity with Federal Civil Servants currently retiring on pension with the same classification and grade; the only differing and controlling factor being the number of years of service, which, of course, governs the ultimate amount of pension received.

The Government's response to date on all briefs submitted has been disappointing, and bluntly negative. The Prime Minister in replying to our National Secretary-treasurer's letters, dealing with the briefs submitted, has stated various objections, or should we say excuses, to support the Government's refusal of our requests to obtain a better financial deal for all Federal Superannuates who are presently in large numbers suffering from dire financial need, and in some cases virtual poverty, solely due to the shrinking purchasing power of the pension dollar from the date of his, or her, retirement. Surely the Government has to accept some responsibility for this shrinkage in purchasing power, since they, and they alone, are the only ones in a position to counteract or supplement the ever-increasing cost of living, which we are told is due, in part, to the increase of our National Productivity and to the overall increase of our National Standard of Living.

The following statistics taken from the Session Paper No. 63-A placed before Parliament on November 28, 1962, by Mr. Stanley H. Knowles, M.P., is supporting and self-explanatory, showing the range of monthly income of

retired Civil Servants and Widows. The total number of Superannuates has increased from 1962 to date, to approximately 37,000. The statistical position, however, is unchanged.

Income Range (per month)	No. Retired Civil Servants	No. Widows at 50% Pension
(A) Receiving less than $20.00 per month	348	1,420
(B) Receiving $20.00 to $29.99	1,191	1,555
(C) Receiving $30.00 to $39.99	1,662	1,493
(D) Receiving $40.00 to $49.99	1,576	1,293
(E) Receiving $50.00 to $59.99	1,451	1,156
(F) Receiving $60.00 to $69.99	1,340	1,008
(G) Receiving $70.00 to $79.99	1,240	944
(H) Receiving $80.00 to $89.99	1,200	617
(I) Receiving $90.00 to $99.99	1,129	483
(J) Receiving $100.00 to $149.99	5,105	1,207
(K) Receiving $150.00 to $199.99	3,448	254
(L) Receiving $200.00 to $249.99	2,155	76
(M) Receiving $250.00 to $299.99	1,043	24
(N) Receiving $300.00 or over	1,240	14
	24,128	11,544

Total Retired Civil Servants	24,128
Total Widows at 50% Pension	11,544
Grand Total	35,672

Note: Approximately 33% are Widows who receive only 50% of Male's pension. On behalf of these Widows we are now requesting that the Widow's percentage be raised to 75% and furthermore, that full pension be paid to Widows for one (1) year following the death of Pensioner, in order to give the Widow a little time to reduce her financial overhead and commitments so as to be in a position to live on her reduced income. The Minister of Finance, in his letter to this Association dated April 3, 1964, has promised to earnestly consider raising the Widow's percentage at such time as the Government is reviewing proposed amendments to the Public Service Superannuation Act.

Excuse #1

One of the points that the Prime Minister has put forward to the members of this Association is that to accede to the representations made on behalf of retired Civil Servants would be a form of discrimination against the majority of Pensioners, other than Federal Superannuates. Obviously the Prime Minister was talking with tongue in cheek—politically.

We have difficulty reconciling this statement with the fact that the Government has recently announced an increase in pension to War Veterans. To quote Mr. Claude E. Edwards, President of the Civil Service Federation of Canada, who states "Naturally we were delighted to see this increase being announced, but isn't this the exact situation that the Government is telling us it cannot consider, because if it did it would be discriminating against the majority in favour of a minority group". If this increase can be made to our War Veterans, we the Federal Superannuates feel that the Government, as a good Employer,

could and should do something to help the Federal Superannuates who are also taxpayers and who were its former loyal empoyees, many of whom also served as Veterans of the First World War.

We must again emphasize that Parity is still our prime request and objective which, when tied in with a periodic Cost of Living review and adjustment such as projected in the Canada Pension Plan, will protect Superannuates against any future rise in the Cost of Living.

Excuse #2

Another excuse put forward by the Prime Minister is that any increase or adjustment made to the present pensions of Superannuates would have to sooner or later be an additional charge to the Canadian Public taxpayer. He cites a 1958 adjustment, the benefits of which were payable under the Public Service Pension Adjustment Act and charged yearly as an additional budgetary expense to the Canadian taxpayer.

Our response to this line or argument is that we are all taxpayers and therefore we are not particularly concerned with the "modus operandi" of just where the Minister of Finance, or Auditor General, elects to place the charge. The Government of Canada does not hesitate to give away $7,000,000 to underprivileged and undernourished Nations or sell highly subsidized wheat to Russia or China. These transactions *all* greatly effect the capital and revenue account and ultimately the Canadian Taxpayer. Let us *first* exercise our charity and humanity by adjusting underprivileged conditions on our own Home Front—Charity, truly, begins at home.

Re: Superannuation Account

The Members of your Committee are no doubt aware that the balance in the Superannuation Account, as reported by the Auditor General (1963) was $1,999,000,000 and is now over the Two Billion Dollars, and under the present Superannuation Act is growing and has been steadily growing yearly. If the present growth is maintained, the Superannuation Account with added interest will be approximately Four Billion Dollars in eight years' time.

The 1963 yearly earned interest on the Government's use of these funds (@4% simple interest) as published by the Auditor General's report is $66,361,514. The total disbursement from the Superannuation Account for the same period (1963) which includes *all* pension payments to Federal Superannuates was $51,816,113, showing an excess of interest earned and received over total disbursements of $14,545,401. Note! The capital amount on deposit in the Superannuation Account of $1,999,000,000 was not impaired.

Under the provisions of the Public Service Superannuation Act, the Government of Canada is required to contribute dollar for dollar paid into the Superannuation Account by the Federal Civil Servant. Perhaps you are also aware of the fact that the Government is approximately $602 million in arrears in matching contributions. (According to the Glassco Commission Report, Volume 3, Page 291) If the interest on this unpaid contribution has not been paid, the overdue yearly interest (@ 4% simple interest) alone on this unpaid amount should be quite a substantial amount.

Much talk and bally-hoo has and is being circulated that the Superannuation Fund is actuarily unsound. It has even been stated by Government officials, that the Superannuation Account is merely a bookkeeping entry.

A classic example of this double talk is contained in a recent letter written by the present Minister of Finance, dated December 7th, 1964, addressed to Mr. Barry Mather, M.P. for New Westminster, B.C. Mr. Gordon stated in substance that it is erroneous to say that the Superannuation Account contains

sufficient funds to take care of the pension increases requested by the Federal Superannuates. He (Mr. Gordon) offered as proof of this remark that as the result of an actuarial survey conducted as at December 31st, 1962, it was established that there was not sufficient funds in the Superannuation Account to meet the combined obligations to Federal Superannuates and all Federal Civil Servants presently on active duty. In other words, if every active Federal Civil Servant presently operating the affairs of Canada suddenly in one day arrived at the age of 65 years or elected to go on pension together with Federal Superannuates, the Superannuation Fund would be short coverage in amount of $110 million.

Not only is this premise ridiculous in assuming that the Government of Canada could or would suddenly denude itself of *all* active Employees, but is also factually impossible to assume that all Federal Civil Servants will arrive at the age of 65 years within the same day, month or year.

Gentlemen! The Government of Canada is the Legal Custodian and Administrator of this Superannuation Account since 1924, and of couse is responsible for its use and safekeeping. The Government forgets, or overlooks, the fact that a considerable number of our Federal Superannuates were experienced and certified Public Accountants and Auditors in the Government Service, and are fully competent to analyze and assess the real and actual value of the Superannuation Account regardless of Government inuendoes.

We are not presently concerned about the safety or solvency of the Superannuation Account; at least not until the proposed amendment to the Superannuation Act is made known. We will then be *vitally concerned.* The Prime Minister has definitely stated that *we will be consulted before any amendment is presented to the House.* We shall expect this promise to be honoured. What we and all other Federal Civil Servants—active or superannuated—are greatly disturbed and concerned about is that in view of the partial integration and diversion of Federal Civil Servants' contributions from the Superannuation Fund to the Canada Pension Plan. The big, big question is:—when does the Superannuation Fund receive this $602 million arrears, if and when partial integration is effected under the Canada Pension Plan legislation *or is it to be buried or quietly expunged.* We, the Federal Superannuates, will be keen and active observers.

Incidentally, the Standard Dictionary defines the word "integration" as "making into one whole". The question arises, regardless of the Prime Minister's recent emphatic statement that the Superannuation Fund *will not be absorbed* into the Canada Pension Plan. If we take integration literally, as defined, it might well be that it is the Treasury Board's present intention to obtain greater legal dominance over *our* Superannuation Fund with a long term view to ultimately absorb or totally integrate same into the Canada Pension Plan.

The Federal Superannuates will be vigilant observers and will not hesitate to take whatever action is necessary, either legal or political or both, to protect our "Legal Rights" and interest in the Superannuation Fund over future months and years. The "Legal Right" of the Federal Civil Servant—active or superannuated—was finally and correctly admitted by the Government and confirmed by the passing of an amended Act dated January 1st, 1954, indicating, quite clearly, that the *equitable, beneficial ownership* of the Superannuation Fund *is vested in the Federal Civil Servant—active or on superannuation.* This "legal right" declaration of January 1st, 1954, is not now contestable under Canadian Law, since it was passed and ratified by the Government of Canada being the Highest Court of Appeal. We have a very definite reason for discussing the Superannuation Account at length and in disclosing the Superannuation Account's actuarily sound and liquid financial condition.

We have persistently pointed out to the Government that the Superannuation Account has more than adequate funds available to take care of our Federal Superannuates requested adjustment without damaging or infringing the "rights" and benefits of either the active Federal Civil Servants or subsequent Superannuates.

By employing the Superannuation Account funds, which is actually a pension fund account, instead of the procedure adopted in the 1958 adjustment (ie, via the Public Service Pension Adjustment Act), where the benefits payable were treated as a yearly budgetary expense, the charge against the Canadian Taxpayer would be unnecessary.

The following tabulation will, we are sure, present a picture of the Life Expectancy of the present group of Federal Superannuates and will indicate approximately how long these requested increases in pension will have to be paid.

Retirement Year @ 65 years	Age to date 1964	Observations
1947	82	Male & Widows (mostly widows
1948	81	" " @ 50% pension)
1949	80	" "
1950	79	" "
1951	78	" "
1952	77	" " (about even)
* 1953 New actuarial life expectancy	76	" " (about even)
1954	75	" " (about even)
1955	74	Male mostly
1956	73	" "
1957	72	" "
1958	71	" "
1959	70	" "
1960	69	" "
1961	68	" "
1962	67	" "
1963	66	" "
1964	65	" "

From above figures it will be clearly seen that over 50% of present Federal Superannuates will have passed on to what we hope will be a more just reward in approximately five years, and the balance in approximately ten years. This means that before the first five years of operation of the Canada Pension Plan, 50% of the increases awarded to Federal Superannuates will have been liquidated as a liability, and when the Canada Pension Plan comes into full effect, i.e. in ten years, all or most of the remaining presently pensioned Superannuates will have passed on; thereby totally liquidating all pension liability, except in instances where the Widow substantially outlives the Male.

Conclusion:

Gentlemen! At the risk of being rather voluminous, we have endeavoured to present our Brief concisely, emphasizing our claim for Parity of Pensions on a prescribed basis, and also to ask that the percentage for Widows Pensions be

increased from 50% to 75% with a very much needed provision that full pension be granted to Widows for a period of one year in order to give the Widow a little time and funds to rearrange her financial and domestic affairs to cope with a reduced income.

In an endeavour to simplify your rather onerous task we have given you progressively, the Government's reaction to our briefs to date, together with our considered rebuttal.

We are aware that partial integration of the Public Service Superannuation Plan with the Canada Pension Plan has been studied and certain recommendations made by the Superannuation Advisory Committee, which is a body appointed by Government through Order-in-Council, and represents both Official and Staff Side. Federal Superannuates have long felt that they too should have representation on this Advisory Committee as they through contributions made to the Superannuation Fund during their employment have an interest in this Fund and certainly should have a voice in deliberations and decisions as to what is to transpire in the future with regard to this Fund. It is, therefore, urged that immediate steps be taken to provide a seat on this Advisory Committee for a representative of the Federal Superannuates National Association.

In conclusion, may we state frankly we believe Federal Pensions should be discussed with an integrity which looks beyond immediate political partisan advantage, to the lasting welfare of its former employees, as well as those who will follow after.

If there is anything further that we can do to assist you in your deliberations, please do not hesitate to advise.

On behalf of all needy Superannuates, we earnestly solicit your favourable consideration to our Brief.

APPENDIX A28

Answers to Questions Raised by Senator Croll and Mr. Knowles on Wednesday, January 20, 1965, at the Afternoon's Session

1. *Question:* What would it cost to provide a pension of $75 a month to widowed and single women, and to disabled persons, between the ages of 65 and 70?

Answer: It is estimated that the cost of a $75 a month pension to 119,167 single women and widows aged 65 to 69 in 1966 would be $107 million. Of the remaining 402,833 persons in that age group, if the prevalence rate for disability is assumed to be 10 per cent, a $75 a month pension for such people would cost $36 million in 1966; if the rate is assumed to be 15 per cent, the cost would be $54 million. (On page 549 of the Proceedings, the Actuarial Report gives an ultimate prevalence rate of 9.3 per cent for the age group 60-64.)

In 1970, 132,900 single women and widows aged 65 to 69 receiving $75 a month would cost about $120 million, and 45,000 to 67,000 disabled persons in the same age group would cost from $40 to $60 million.

2. *Question:* What would it cost to increase the old age security pension from $75 to $80 for those aged 70 to 74, to $85 for those aged 75 to 79, to $90 for those aged 80 to 84, to $95 for those aged 85 to 89, and to $100 for those aged 90 and over?

Answer: It is estimated that in 1966 there will be 984,000 people aged 70 or over, and in 1970 there will be 1,048,000; at $75 a month, pensions for these people will cost $885.6 million and $943.2 million respectively.

The total cost of higher pensions for these people is set forth in the following table.

Age Group	Annual Benefit $	1966 Persons '000s	1966 Expenditures $ million	1970 Persons '000s	1970 Expenditures $ million
70 to 74 years	960	411	395	434	417
75 to 79 years	1020	304	310	311	317
80 to 84 years	1080	173	187	195	211
85 to 89 years	1140	72	82	81	92
90 and over	1200	24	29	27	32
Total		984	1003	1048	1069

The *extra* cost of providing the proposed age-related pensions would therefore be $117.4 million in 1966 and $125.8 million in 1970.

3. *Question:* What would it cost to increase the old age security pension from $75 to $85 for those aged 70 to 74, to $90 for those aged 75 to 79, to $95 for those aged 80 to 84, to $100 for those aged 85 to 89, and to $105 for those aged 90 and over?

Answer: The total cost of the proposed higher pensions for these people is set forth in the following table.

Age Group	Annual Benefit $	1966 Persons '000s	1966 Expenditures $ million	1970 Persons '000s	1970 Expenditures $ million
70 to 74 years	1020	411	419	434	443
75 to 79 years	1080	304	328	311	336
80 to 84 years	1140	173	197	195	222
85 to 89 years	1200	72	86	81	97
90 and over	1260	24	30	27	34
Total		984	1060	1048	1132

The *extra* cost of providing the proposed age-related pensions would therefore be $174.4 million in 1966 and $188.8 million in 1970.

Research and Statistics Division,
January 1965.

APPENDIX A29

SUBMISSION OF THE NATIONAL LEGISLATIVE COMMITTEE INTERNATIONAL RAILWAY BROTHERHOODS

1. The National Legislative Committee, International Railway Brotherhoods, is a voluntary association of Railway Unions, established in 1909, representing railway workers in Canada.

2. The representatives of the employees of both the Canadian Pacific Railway and Canadian National Railway Pension Plans, who have been duly selected from and among the General Chairmen of the organized classes of employees, join with us in presenting this brief.

3. We believe that there is a need in Canada for the type of Pension Plan that the Government has outlined in Bill C-136, and we favour the principle of a contributory, wage-related plan under Government auspices.

4. It has been reported that the regulaion of Private Pension Plans in such matters as portability and solvency is a matter of Provincial jurisdiction.

5. This obviously leaves a gap in the regulation of private pension plans, when one considers those industries that fall solely under Federal jurisdiction.

In this regard, we respectfully recommend that concurrent with the enactment of a Canada Pension Plan, legislation be enacted for the purpose of regulating Private Pension Plans coming under Federal jurisdiction. Further, it is our understanding that the Provincial Governments have agreed to establish uniform regulations to govern Private Pension Plans and we suggest, that the Federal Legislation contain the same provisions.

6. Such regulations would ensure to employees working in industries under Federal jurisdiction, the right to transfer pension credits and contributions from one private plan to another.

7. The whole problem of the maintenance of pension credits by employees, who move from one job to another, was considered in a report on Pension Plans and the Employment of Older Workers, prepared by the Interdepartmental Committee on Older Workers and published by the Department of Labour and that Committee found there existed a need for portability and vesting provisions in existing Pension Plans in Canada.

8. Other matters in addition to portability and vesting that should be considered in the drafting of regulations are solvency and the proper investment of pension funds.

9. While, as we stated earlier, we favor the principle of a contributory, wage-related pension plan under Government auspices, the employees we represent are deeply concerned as to the effect the introduction of the Canada Pension Plan will have on their existing pension plans unless steps are taken by the Government to protect their rights.

10. Pension plans have been in effect on the Canadian Railways for upwards of thirty years, and they are now a condition of employment for employees entering the service, but in no case is the pension plan a part of the contractual relationship between the employer and the employee.

11. The employees of the Railways desire that the Canada Pension Plan supplement their existing plans, but almost simultaneously with the announcement of the proposed Canada Pension Plan, the Railways indicated that it would be their intention to revise the existing pension plans so that their pension costs would not be increased by reason of the Canada Pension Plan.

12. We suggest that a project that will affect almost all Canadians, such as the Canada Pension Plan, should have the same relative effect on all Canadians. If an employer who now contributes to a pension plan is permitted to recoup his contributions to the Canada Pension Plan by reducing his contributions to the existing plan, he will gain a definite advantage thereby over the employer who does not now contribute to a pension plan.

13. For the Canada Pension Plan to have the same relative effect on Canadian Railway workers as on other Canadian workers, the plan must be supplemental to the existing Railway pension plans, and this is what is desired by the workers we represent.

14. We are disturbed at the attitude of the Government of washing its hands of responsibility in the matter of private pension plans, and on behalf of the workers we represent we earnestly request this Committee to recommend that a provision be added to the Canada Pension Plan Act which would prevent the integration of pension plans on Railways under the jurisdiction of the Federal Government with the Canada Pension Plan without the approval of the employees participating in such plans.

15. We submit that the Government will incur responsibility for protecting the rights of employees presently participating in pension plans when its plan becomes operative because it will be introducing a compulsory pension plan into arrangements which have been reasonably satisfactory to the employees but over which those employees have little or no control insofar as revisions to the pension plans are concerned.

16. If the Railway pension plans were part of the working agreements between the Railways and their employees, we would not be here today, but they are not. For that reason, and because we believe the Government should accept responsibility and protect the interests of the employees, we are requesting this Commitee to make recommendations to that end.

APPENDIX A30

ESTIMATES RELATING TO OLD AGE SECURITY PROGRAMME

Request

During the evening session of the Committee on December 14, 1964, Mr. Moreau asked

> "Could you tell us approximately what payroll contributions would be required to raise the equivalent of the sum of money that we are collecting under the present means of financing the O.A.S. plan? Do you think it would be five or six per cent?"

During the morning session on December 15, 1964, Senator McCutcheon asked

> "Have you made any calculation to show what is the total cost based on covered earnings of the old age security and the proposed pension plan in respect of percentage of covered earnings?"

Similar requests have been made in some of the briefs submitted to the Committee.

Estimates

Two sets of estimates of total outgo in future years for all of Canada under the Old Age Security programme, amended as proposed in Bill C-136, are presented in Schedule 1 below. The set of estimates designated as A was based on the low fertility—low immigration populations described in the actuarial report and on the assumption that OAS benefits would increase from 1967 onwards at an annual rate of 1½% to 1975 and 2% thereafter. The set of estimates designated as B was based on the high fertility—high immigration populations and on the assumption that OAS benefits would increase from 1967 onwards at an annual rate of 1½%. Subject to the availability of reduced pensions at ages under 70 for the years 1966 to 1969, for both sets of estimates it was assumed that

(*a*) for males, 51% of the population would elect to take reduced OAS benefits at age 65 and a further 3% would so elect at each age 66 to 69,

(*b*) for females, 87% of the population would elect to take reduced OAS benefits at age 65, a further 2% would so elect at each age 66 and 67 and a further 1% would so elect at each age 68 and 69, and

(*c*) the remainder of both the male and female populations would receive full benefits at age 70.

Also shown in Schedule 1 is the excess of benefit outgo under each of the A and B sets of estimates over

(*a*) estimated benefit outgo if payments were to remain at $75 per month to persons aged 70 and over, and

(*b*) estimated benefit outgo if payments were to be made to persons aged 70 and over at $75 per month increased from 1967 onwards at the annual increase rates specified for the A and B sets of estimates, as applicable.

Schedule 1

Estimated Benefit Payments under OAS
for all of Canada
(in millions)

Year	Outgo under Proposals in Bill C-136		Excess over outgo of $75 per month to pop'n aged 70 or over		Excess over outgo of $75 per month, increased from 1967 onwards, to pop'n aged 70 & over	
	A	B	A Excess	B Excess	A Excess	B Excess
1966	$ 971.0	$ 975.3	$ 64.5	$ 64.9	$ 64.5	$ 64.9
1967	1,044.2	1,050.2	123.7	124.8	123.7	124.8
1968	1,130.0	1,137.8	194.8	196.8	180.7	182.7
1969	1,213.0	1,223.1	262.8	265.6	234.0	236.6
1970	1,293.4	1,306.1	327.5	331.6	283.4	287.1
1971	1,316.2	1,330.6	333.2	337.9	273.0	277.0
1972	1,341.7	1,357.7	340.8	345.7	263.4	267.6
1973	1,370.2	1,388.3	349.9	355.6	254.5	259.1
1974	1,402.3	1,422.6	361.0	367.1	246.7	251.1
1975	1,438.7	1,460.7	374.5	381.0	239.9	244.4
1980	1,717.5	1,710.5	501.7	470.4	205.4	205.6
1985	2,097.4	2,049.8	678.8	595.7	149.5	148.8
1995	3,193.1	3,015.0	1,321.6	1,074.5	60.3	70.6
2005	4,296.4	4,005.4	2,136.1	1,702.4	—111.7	—49.8
2015	6,156.2	5,666.3	3,821.1	3,053.0	348.0	325.9
2025	9,926.6	8,719.0	6,763.9	5,161.1	337.1	281.5

In Schedule 2 is shown the relationship of estimated benefit payments under the OAS programme for Canada excluding Quebec to the contributory earnings amounts estimated for purposes of the actuarial report on the Canada Pension Plan, that is, the estimated total amounts of earnings falling between the contributory earnings lower and upper limits of workers in Canada excluding Quebec who will contribute under the Canada Pension Plan. The assumptions relating to populations, rates of increase in OAS benefits and election for reduced benefits under age 70, where applicable, are those described for purposes of Schedule 1 above. The assumptions as respects the annual rate of increase in average earnings were 3% for the A set of estimates and 4% for the B set of estimates.

Schedule 2

Estimated Benefit Payments under OAS for Canada excluding Quebec expressed as Proportions of Contributory Earnings estimated for purposes of the Actuarial Report on the Canada Pension Plan dated November 6, 1964

Year	Outgo under proposals in Bill C-136		Outgo of $75 per month to pop'n aged 70 & over		Outgo of $75 per month, increased from 1967 onwards, to pop'n aged 70 & over	
	A	B	A Pop'n	B Pop'n	A Assumptions	B Assumptions
1966	6.21%		5.81%		5.81%	
1967	6.36		5.63		5.63	
1968	6.55		5.46		5.54	
1969	6.70		5.30		5.46	
1970	6.83		5.15		5.39	
1971	6.66		5.02		5.33	
1972	6.49		4.88		5.26	
1973	6.35		4.77		5.21	
1974	6.22		4.65		5.16	
1975	6.13		4.57		5.14	
1980	5.48	4.56%	3.89	3.31%	4.84	4.02%
1985	5.24	3.89	3.55	2.53	4.88	3.30
1995	4.92	3.01	2.90	1.95	4.86	2.96
2005	4.06	2.04	2.05	1.18	4.19	2.08
2015	3.75	1.49	1.42	.69	3.54	1.40
2025	4.27	1.23	1.36	.50	4.11	1.19

(NOTE: The reason that the columns for the B set of estimates and the columns related thereto are blank until the year 1980 is that contributory earnings for the short range (1966 to 1975) were estimated only on the basis of the low fertility—low immigration population assumptions for purposes of the actuarial report. Since there is no financial effect arising from fertility in the early years, little effect from immigration, and all other assumptions except that in respect of the rate of increase in average earnings are the same for the A and B estimates until 1975, the B column figures to 1975 would be close to those shown for column A.)

Department of Insurance
Ottawa
January 21, 1965

APPENDIX A31

BRIEF TO THE SPECIAL JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS ON THE CANADA PENSION PLAN

by Dr. Robert M. Clark, University of British Columbia

January 15, 1965

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BRIEF TO THE SPECIAL JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS ON THE CANADA PENSION PLAN

(1) I appreciate the high honour of being invited to give evidence to you on the Canada Pension Plan.

(2) I divide the brief into three parts. The first is a short statement of preference for a flat rate benefit structure over a graduated or earnings-related benefit structure. Bill C-136 having passed the House of Commons with no opposing vote, I am in the position of a solitary man marooned on a small Arctic iceberg, watching the distant shore-line recede. He can scarcely expect the continent to move in his direction. In the second part I give a series of comments within the framework of accepting the fact that we shall have in Canada a contributory pension program with graduated benefits. Brief comments on the differences in import of the Canada Pension Plan on various major industries are included at the end of this section. Comments on the relation between Old Age Security, Old Age Assistance, and the Canada Pension Plan constitute the last part.

PART I

A Statement of Preference for a Flat Rate Benefit Structure

(3) The case for a system of flat rate pension, survivor and disability benefits is based on one's philosophy of equity, and one's view of the desirable role of government. I begin with the premise that the spending power of the retired population should be at all times a high fraction of the average consumer spending of the whole population. This is not to say that the retired, on the average, should have spending power equal to that of the whole population, because, on the average, the aged do not need quite as much as the rest of the population. They are more likely to have their home and other durables paid for than the rest of the population.

(4) Can the Canadian people afford such a standard for the aged? Like many others, I believe we can afford and should adopt such a standard.

(5) To the extent that retirement spending power results from private savings, its development tends to follow, as it should, the principle of individual equity. For example, in the typical employee pension plan, benefits to different employees are related directly to the contributions made by themselves and their employers.

(6) The vast majority of individuals with family incomes above the subsistence level have a responsibility to save for their old age. In a democratic society, the level of national savings is likely to be greater, and the freedom of the individual more secure, if most of the public do not look to the state for all their income retirement.

(7) It will always be essential to have a means or needs test type of state assistance for the needy, but such a program should not be a major source of income for more than a limited minority of the population.

(8) The residual but massive role of government is to bridge the gaps between the spending levels of the population as a whole and the spending levels which can be provided by the private resources of the retired population. This is by no means a static role, since the gaps in spending power for the retired tend to widen as the years go by and the spending level of the working community continues to rise. Retired workers have little control over this widening gap between their spending power and that of the community. It is here that the state has a particular responsibility.

(9) For most persons born in the same year, the capacity to provide retirement spending resources through private means is limited by the earnings levels which prevailed during their working years. Within this general limit, it will tend to be more difficult for individuals to save any given proportion of their income if their earnings are low. It follows that the differences in spending levels available from private resources after retirement will tend to be relatively greater than the differences which prevailed during the working years of those individuals. I do not believe that the state should widen these differences in income after retirement by relating benefits to prior earnings, as is done in the Canada Pension Plan.

(10) In an economy where the price level has risen and productivity increased over a few decades, the level of private spending resources of the retired population in any year may be expected to vary inversely with age. On the average, the oldest people among the retired will tend to have the lowest level of spending power.

(11) There is significant American data in support of this proposition.

(12) Referring to the American needs-test program, Old-Age Assistance, Robert J. Meyers, Chief Actuary of the U.S. Social Security Administration, wrote in 1963:

> About 17 per cent of all women aged 65 and over are assistance recipients, but the proportion moves steadily upward as age advances, from a low of 9 per cent for women aged 65-69 to a high of 35 per cent for women aged 85 and over. The same general trend is also present for men, with the proportion receiving assistance rising from 4 per cent at ages 65-69 to 30 per cent at ages 85 and over.
>
> . . . it is likely that in future years the ratio of assistance recipients to the total population will have an upward trend as age advances. As the aged use up the assets they have accumulated, the likelihood grows that they will require supplementation of their income through assistance, even though most of them will have income from old-age and survivors insurance.[1]

(13) The Social Security Administration in the United States undertook in 1963 a detailed nation-wide survey of the resources of the aged. Interviews were completed with over 11,000 persons aged 62 and over. Data for persons aged 65 and over were divided into two categories: persons 65 to 72, and persons 73 and over. This division was used because the retirement test under Old-Age, Survivors and Disability Insurance operates until age 73 is reached. The following table is taken from this study.

SIZE OF MONEY INCOME BY AGE AND OASDI BENEFICIARY STATUS FOR UNITS AGED 65 AND OVER

Median Income and age	Married couples		Non-married men		Non-married women		
	OASDI beneficiaries	non-beneficiaries	OASDI beneficiaries	non-beneficiaries	OASDI beneficiaries who have been contributors		non-beneficiaries
					Retired	Widow	
65–72	$2,900	$4,750	$1,610	$2,000	$1,455	$1,285	$855
73 and over	2,430	1,680	1,260	860	1,120	960	720

SOURCE: Lenore A. Epstein, "Income of the Aged in 1962: First Findings of the 1963 Survey of the Aged", Social Security Bulletin, vol. 27 (March 1964), p. 17.

[1]Robert J. Myers, "Age and Sex of Persons Receiving Both OASI Benefits and OAA Payments", *Social Security Bulletin,* Vol. 26 (October, 1963), p. 17.

(14) Broadly speaking, the decrease in assets with age is less marked than the decrease in income.

> . . . In general, the proportion and the median amount of [asset] holdings decline with the age of the head of the survey unit.
>
> There are several reasons why the value of asset holdings might be expected to drop with the age of the unit. First, the employment and earnings of the group aged 62-64 are higher than those of the older group. Second, the older the person, the more likely he is to have had high medical bills that may have reduced the value of his holdings. Furthermore, in a period of relatively high employment, each age cohort of workers may be expected to reach retirement with a larger accumulation of assets than the previous cohort.
>
> The effect of retirement upon the assets of the worker would not be expected to be immediate or dramatic. The survey shows sharp differences in size of holdings, however, between those who had retired and those who continued to work and, for those not working, between those receiving OASDI benefits and those who were not.[2]

(15) One would expect roughly the same pattern in respect of income and assets among the aged in Canada. The data on incomes of the aged taken from the 1961 census and presented by the Canadian Life Insurance Officers Association on page 33 of their brief to you supports this expectation.

(16) I conclude from this evidence that there is a strong case for having state pensions for the aged graduated according to the pensioners' ages.

(17) There are three further advantages for such a policy as compared with the features of the Canada Pension Plan.

1. The coverage under such a plan, like the coverage under Old-Age Security itself, can be nearly universal, since residence and attainment of a specified age, rather than prior contributions, are the requirements for receiving benefits. These could be the prerequisites for old-age pensions even if the same method of raising revenue were used as is proposed in the Canada Pension Plan. Because the Canada Pension Plan provides earnings—related benefits, it cannot provide universal coverage. Many who are excluded from coverage on administrative grounds are among the poorest in the country.

2. The distribution of the cost of pensions under a government pension program should be as equitable as possible between successive generations. Future generations should not, I believe, be asked to provide huge subsidies to their predecessors unless the needs of the earlier generations cannot be met in any other way. The Canada Pension Plan violates this criterion, and indeed it is of the essence of the ten-year build up to full benefits that it should do so. The contrast is striking—and I believe unjustified—between those who will be age 70 when the program commences in 1966, and those covered persons who will reach age 70 in the decade 1966-1975. The former will receive no graduated benefit. The latter, if they have complied with the contribution requirements, will receive graduated pension benefits for which in a typical case they and their employer will each have paid rougly 5 or 6 per cent of the cost. Future generations of contributors will pay the balance. The extent of the inter-generation subsidy diminishes in relative importance after the first generation, but it can be expected to continue to be a very significant factor indefinitely because of escalation clauses in Bill C-136.

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[2]"Assets of the Aged in 1962: Findings of the 1963 Survey of the Aged", *Social Security Bulletin*, Vol. 27 (November, 1964), p. 8.

3. The administration of the type of benefits I have in mind is far simpler than the administration of the Canada Pension Plan. Having painstakingly spent a week picking my precarious way through the Bill and the explanations of it to this Committee, I hope that I understand it. I feel unbounded admiration for Mr. D. Thorson of the Department of Justice, whose lofty intellect expressed in terse inedible legal prose the policy intentions behind the Bill. But do Canadians need to have pensions legislation so intricate that most mortals would not be able to understand how their benefits were arrived at? While I admire the exquisite sense of equity that prompted some of the refinements in the Bill, I believe the answer to the question is "no". I realize that there are disadvantages as well as advantages to my proposals, but believe that the advantages outweight the disadvantages.

PART II

Comments on Selected Clauses of Bill C-136.

(18) Unlike the Old-Age Security program, the Canada Pension Plan is an example of social insurance. It conforms directly to Sir William Beveridge's definition of social insurance as "the providing of cash payments conditional upon compulsory contributions previously made by, or on behalf of, the insured persons, irrespective of the resources of the individual at the time of the claim."[3] In contrast, the type of legislation I have advocated, like Old-Age Security itself, is not social insurance.

There are several consequences that flow from the fact that the Canada Pension Plan is social insurance. Since it is social and not private insurance, the prime concern should be with adequacy of benefits rather than with the principle of individual equity, which provides benefits in proportion to contributions. Yet considerations of individual equity are also present, or there would be no justification for setting up such elaborate administrative machinery and keeping lifetime records of contributions credited to each individual contributor. Deciding how much emphasis to give to each of these two principles is always a subjective matter, and usually difficult. For example, it is customary in social insurance programs like Old-Age, Survivors, and Disability Insurance in the United States, and the Canada Pension Plan, to require an internal subsidy from the single to the married contributors. Both pay at the same rate on the same covered earnings, but survivor and orphans benefits are available, which primarily benefit the married contributors. This is contrary to the principle of individual equity, but is accepted very widely because of prime concern with the principle of adequacy. But how generous should the survivor benefits be in relation to the retirement pension for contributors? The difficulty in answering this question is illustrated by the different treatment accorded to widows under the Canada Pension Plan and under the comparable American legislation.

(19) In dollar terms per individual contributor some of what I regard as inequities in the Canada Pension Plan are small, partly because the rate of contributions is 1.8 per cent on contributory earnings. These injustices will become more serious as the rates of contribution under the program are increased in the decades ahead. It may be argued that the rates of contribution will not be increased significantly in, for example, the next half century. But this seems most unrealistic, ignoring the likelihood of future amendments which will increase the costs of the program. American experience in this respect is instructive. While covered earnings have increased from $3,000 in

[3]Sir William Beveridge, *Social Insurance and Allied Services*, London, H.M.S.O., 1942, p. 120, para. 302.

1937 to $4,800, rates of contributions on employees and on employers have been raised from 1 per cent at the start of the program to 4.625 per cent, scheduled in the Social Security Act to take effect in 1968. While the pace of change in contribution rates probably will be considerably different, there is no doubt in my mind that rates ultimately will rise very substantially.

(20) The most appropriate time, I submit, to seek to minimize inequities is at the outset, so to speak before the mold is hardened.

Clause 8-9 Employer and Employee contributions

(21) I do not see in principle any adequate justification for collecting more from employers because a given employee earning in a year more than the ceiling on contributions works for more than one employer. I do not see any simple administrative answer to this problem. As one who has never administered even a peanut stand, I hesitate to make a suggestion. I should have thought, however, that the answer might lie in giving refunds to employers. If refunds can be given to well over 1 million employees a year, as is contemplated, surely refunds can be prorated to employers eligible for them after the end of each year. Evidence prepared for you by your officials indicates that if the Canada Pension Plan had been in effect in 1962, overpayments by employers would have amounted to nearly $6 million.[4] The amount can be expected to grow substantially. I believe that considerations of fairness to employers should take precedence over the administrative convenience of not providing such refunds.

(22) Where in any months individuals are paid in excess of the ceiling on contributory income, the appropriate rate of contribution is to be deducted on their entire earnings until at least the full contribution for the year has been collected. As monthly contributions increase, with a mounting ceiling on contributory income, and later with higher contribution rates, there will be a rising volume of complaints from employees and employers about the uneven incidence of contributions from month to month. I see no simple answer to this, because I accept Mr. Sheppard's opinion of the difficulties of collecting contributions from employees who suffer a large reduction of income in the latter part of a year.

Clause 10. The contributory earnings lower limit for the self-employed.

(23) The contributory earnings lower limit for the self-employed is expected to remain at a figure 20 per cent higher than the figure for employees. This is done presumably in part on administrative grounds and in part to allow for a return on capital which produces some of the income of many of the self-employed. Since the whole philosophy of the program relates only to non-investment income, the question arises: is this differential large enough? Obviously the extent to which the net income of the self-employed is attributable to a return on capital varies enormously from person to person. Moreover, conflicting considerations contend here. On the one hand is the desire to cover as many of the self-employed as possible, so they will have the benefits of the program. This points to a low exemption. On the other hand is the natural desire not to discriminate against the self-employed, who, quite rightly, I think, are required to pay at double the rate for employees. In principle, it would be feasible for a deduction to be made from the earnings of the self-employed. This could be calculated by allowing a return of, say, 5 or 6 per cent on the capital or net worth of his business. There would, of

[4]*Minutes of Proceedings and Evidence,* No. 5, December 7, 1964, Appendix 7, pp. 284-285.

course, be many self-employed who have no capital on which a deduction could be computed. Frankly, I am not sure if this suggestion is administratively feasible.

Clause 17. The contributory earnings upper limit.

(24) The choice of the contributory earnings upper limit is difficult, and highly subjective. Broadly speaking, the higher the range of graduated benefits desired, the higher the ceiling should be. In other words, the greater the role one envisages for graduated benefits in comparison with flat benefits, the higher the ceiling one is likely to favour. Because of my preference for emphasis on flat benefits unrelated to prior contributions, I advocate an upper limit equal to the arithmetic mean of wages and salaries to persons in full-time employment. Such a figure, rounded to the nearest $100, would be an appropriate base for an index of earnings, such as is used in the Canada Pension Plan. From this viewpoint the upper limit of $4,500 in Bill C-75 was preferable to the initial limit of $5,000.

(25) Using income tax data on salaries and wages, as described by Dr. Willard, is one useful way of obtaining a basic data on which to construct an earnings index.[5] Another way is proposed by Robert J. Myers, a leading American actuary quoted earlier. Writing in the context of the American situation, he proposed in 1964 that the contributory earnings upper limit be based on average earnings during the first quarter of the year reported to the Social Security Administration. His proposal has the advantage that an index constructed from such data would be based on the experience of persons covered by the program. He proposed taking the data for the first quarter of the year because he found that wages and salaries subject to contributions decreased as a percentage of total wages and salaries from about 98 per cent in the first quarter to about 65 per cent in the fourth quarter of each year.[6]

(26) I support the use of an index to raise the contributory earnings upper limit. I should point out, however, that its continuing use in the Canada Pension Plan will greatly increase the extent to which the program will give larger dollar subsidies to those with earnings at and above the upper limit, as compared with those contributors with much lower earnings.

Clause 20. The Pensions Index.

(27) Nearly everyone agrees that the real value of pensions should be protected against inflation. It is the choice of means of doing it that is debatable.

(28) The use of a price index to adjust pensions for beneficiaries reduces, but by no means eliminates, the pressures on political parties to grant or to promise pension increases timed for their maximum electoral advantage. I regard this as an advantage.

(29) On the other hand, the use of an index brings in an element of inflexibility in adjusting benefits, since presumably all benefits are affected proportionately by changes in a price index. It is essentially for this reason that Robert J. Myers has advocated in the United States that changes in the level of benefits continue to be made on an ad hoc seasonable basis by the Congress, instead of using a price index.[7]

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[5] *Ibid.*, No. 4, December 3, 1964, p. 204.

[6] Robert J. Myers, "An Illustration of a Method of Automatically Adjusting the Maximum Earnings Base Under the Old-Age, Survivors, and Disability Insurance System", Washington, D.C., 1964, Table 3, p. 8.

[7] Robert J. Myers, "The Effect of Dynamic Economic Conditions On A Static-Provision National Pension Scheme", a paper presented to the 17th International Congress of Actuaries, May, 1964, p. 11.

(30) I am concerned that the use of a price index to protect the real value of pensions will cause the present and future federal governments in Canada to weaken their efforts to maintain the value of the dollar. I regret the growing acceptance of the opinion that inflation of 1 or 2 per cent a year is acceptable as well as inevitable. The view that such inflation makes a significant contribution to minimizing unemployment is unconvincing to me. A correlation over the past twelve years of changes in the Canadian consumer price index with changes in the level of unemployment shows that the relation has been negligible.

(31) I am concerned also that the use of a pension index in the Canada Pension Plan will be interpreted widely in investment circles—with or without justification—that the Canadian Government no longer really believes that it can stabilize the value of the dollar. Surely the chief reason governments and corporations in this country are having to pay substantially higher interest rates now than about 15 years ago is the belief that at least a mild degree of inflation is to be expected in the coming years. We may reach the point in Canada where the Canadian Government and provincial governments may feel that it is prudent to offer bonds whose purchasing power is protected by the use of some price index. If pensions, government means-test assistance programs, and government bonds are put on a price index basis, this will affect the sale of private fixed income obligations. The most likely ultimate result is to increase the tempo of inflation.

(32) If there is to be a pensions index in the Canada Pension Plan, is a ceiling of 2 per cent per year justified? Two arguments in defense of this ceiling are used.

(i) Persons are protected against any drop in pensions when the value of the dollar increases. Therefore they should be prepared to accept some reduction in real income if the Consumer Price Index increases by more than 2 per cent in a year. If there is a sharply inflationary situation, as in 1951 when the Index rose about nearly 11 per cent, this is likely to be caused by a deterioration in the international situation. In such circumstances the aged, like others, may be asked to accept some sacrifice of real income.

(ii) In any event, Parliament can always legislate if there is any hardship. And is there any political party which is not devoted to the welfare of the aged? Between its inception in 1952 and 1963, the Old-Age Security pension has been raised 87½ per cent, while the Consumer Price Index went up 14 per cent.

(33) In principle, I believe that the pension index should follow the Consumer Price Index down as well as up, when it changes by more than 1 per cent. I recognize, however, that the idea of reducing a government pension may be as untouchable as the cows in a Hindu village.

(34) If a ceiling on annual percentage increases in the Consumer Price Index is to be used, I should prefer to see 3 per cent rather than 2 per cent. Obviously this is a compromise proposal. This would reduce the lag of pensions behind the Consumer Price Index if inflation in any year exceeded 2 per cent.

Clause 22(6). Penalty for failure to remit.

(35) Especially in view of the many opportunities for misunderstanding regarding contributions to be collected, I regard as too severe the penalty of 10 per cent plus 10 per cent interest. The contrast with the 3 per cent interest allowed on ordinary refunds under clause 39(7) seems excessive. It is the 10 per cent, I submit, which should be changed. Eight per cent would seem more appropriate.

Proceeds from interest and penalties.

(36) In view of the fact that the program is, quite properly, to be charged for administrative expenses of the various government departments, it seems reasonable that both interest and penalties collected under Bill C-136 should be credited to the Canada Pension Plan Account.

(37) I regard the 10-year transition period to full benefits as too short, involving unjustifiably large subsidies from future generations of contributors to those who will receive benefits in the first decade. The 20-year transtition period originally proposed by the Quebec Government was more equitable as between successive generations.

Clause 43(1). Basic number of contributory months.

(38) With a longer period for the basic number of contributory months, it would have been appropriate to increase the percentage of months of drop-out in clause 48(3). This would be helpful to contributors who wish to retire at age 65, but who have had several years of minimal earnings. As it now is with a 10 per cent drop-out, an increasing number of university students, especially women, will have used up their 10 per cent before they have reached age 24.

(39) If the 10-year period is retained, it might still be appropriate to increase the 10 per cent in clause 48(3) to 15 per cent. This would, of course, only benefit those who did contribute for at least a decade.

Clause 43(2). When a person shall cease to be deemed disabled.

(40) In the Disabled Persons Act of Canada, there is a clause that reads:

> . . . the provincial authority will suspend payment of the allowance to any recipient who, in the opinion of the provincial authority, unreasonably neglects or refuses to comply with or avail himself of training, rehabilitation or treatment measures or facilities provided by or available in the province.[8]

Federal legislators presumably included this clause to take care of cases where a person receiving a Disabled Persons Allowance refuses unreasonably to take rehabilitation treatment. If there is a need for such a clause in a means test program, I believe there is even greater need for it in a program where no means test is involved.

(41) I do not expect that there would be many cases annually where such a clause would need to be invoked. As with the present Disabled Persons Allowances Program, presumably the rule would be followed that no person would be required to accept medical treatment unless the prescribed treatment has been demonstrated to be of such a kind that a "reasonably prudent" man would accept it. A medical board would make a decision in such cases, and their verdict would be subject to appeal.

(42) Section 222 of the American Social Security Act contains such a clause as I have recommended. It is as follows:

> Deductions, in such amounts and at such time or times as the Secretary shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits under sections 202 and 223 for any month in which such individual, if a child who has attained the age of eighteen and is entitled to child's insurance benefits

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[8]1953-54, c. 55, s. 7 (d) (xi).

or if an individual entitled to disability insurance benefits, refuses without good cause to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act. Any individual who is a member or adherent of any recognized church or religious sect which teaches its members or adherents to rely solely, in the treatment and cure of any physical or mental impairment upon prayer or spiritual means through the application and use of the tenets or teachings of such church or sect, and who, solely because of his adherence to the teachings or tenets of such church, or sect, refuses to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act, shall, for the purposes of the first sentence of this subsection, be deemed to have done so with good cause.[9]

(43) It is highly desirable that from the outset there should be an emphasis on the rehabilitation of disabled persons. This, of course, involves co-operation with the provincial governments which have facilities for this work.

Clauses 54-58. Benefits other than the retirement pension.

(44) I am particularly pleased to see the Program include pensions for the disabled and widows, benefits for orphans, and a death benefit. Because of my preference for emphasizing need, I should have liked to see the flat portion of the pension for the disabled and the eligible widows under 65 given greater relative importance. One of the many useful functions of the Advisory Committee, I suggest, will be to study the relation between the various types of benefit both in the Canada Pension Plan and in other countries.

Clause 58(2). Orphan's Benefit.

(45) I regard it as unnecessarily arbitrary to limit in effect the total amount of orphan's benefits so that the total benefit does not increase significantly if the number of orphans exceeds four. I realize that the cost of bringing up children after one already has four does not usually increase proportionally. As a compromise between retaining the present limit and removing it altogether, I suggest that the orphan's benefit be increased proportionately until a maximum of six is reached.

Clause 65. Return of benefit where recipient not entitled.

(46) Where a person receives benefits to which he is not entitled, as a result of innocent or wilful misrepresentation, I believe that the Government should be able to recover amounts overpaid, subject perhaps to some overall time limit such as 10 years. In other cases, however, I suggest that the right of recovery should be limited in two respects. First, the Government should not attempt to recover from the estate of the deceased. Second, the Government should collect from beneficiaries by deductions from future monthly benefits, subject to some limit as to the maximum amount to be recovered in any one month. The Government could use some discretion in collecting amounts less than the maximum in appropriate circumstances.

Clauses 68 & 69. The earnings test.

(47) An earnings test is a logical part of a social insurance pension system. The person who continues in full-time employment in most cases will be earning more than the limit in the earnings test. This limit is directly related to the contributory earnings upper limit, being as you know $1,500 when the

[9]Social Security Act as amended, Title II, s. 222 (b) (1).

upper earnings limit is $5,000. The purpose in having the earnings test is to provide compensation for loss of earnings below a specified ceiling. No loss: no compensation.

(48) But is this a fully convincing answer to the question: should we have an earnings test, and if so in what form? The earnings test in the American Old-Age Survivors and Disability Insurance Program has been, I believe, the most controversial and least popular feature of that widely popular program. This test, popularly referred to as a retirement test, has been defended by organized labour in the United States in the belief that the payment of benefits without such a test might depress wages. This could happen because beneficiaries might be willing to work for less than typical wages if they also had their retirement pensions. The test also has been defended by representatives of business organizations, who are concerned about the added cost to the program if the test were abolished. The Chief Actuary of the Social Security Administration, Robert J. Myers, has supported the test. So have various Congressional committees. Most recently it has been defended by the Advisory Council on the Social Security Act, whose report was published at the beginning of 1965.

(49) Opposition to the test has not been widely organized, but has come from many members of the public who feel that the test does discourage many people from working during the ages 62 to 72 to which the test applies. It is this public pressure that has led to successive amendments to make the test less severe. That the test does discourage some people from working has been acknowledged by Mr. Myers, and by the recent Advisory Council.[10] Members of this Committee may be interested in views of the latter group of persons, who were selected to represent employees, employers and the public.

> If benefits were paid without a test of retirement, the cost of the program would be substantially increased and the combined additional contributions which would have to be paid by employers and employees to support the provision would amount to nearly 1 per cent of covered earnings. In 1964 about $2 billion in additional benefits would have been paid, and most of this money would have gone to those who are working full-time and generally earning as much as they ever did. The great majority of the older people who are eligible for benefits—those who are unable to work, those who can do some work but cannot earn more than $1,200 a year, and those who are aged 72 and over and therefore no longer subject to a test—would not be helped by the elimination of the test . . .
>
> . . . The Council recognizes that the present test does discourage some people who are retired from their regular jobs from earning as much as they could, or would like to, in part-time or irregular employment. Because only $1 in benefits is withdrawn for each $2 of earnings between $1,200 and $1,700, additional earnings always mean more total income from benefits and earnings up to that point, but above $1,700, a person loses $1 in tax-exempt benefits for each $1 of taxable earnings . . .
>
> If the limit on the span of earnings to which the $1 for $2 adjustment applies were raised, people would not be faced with a deterrent to earnings somewhat more than $1,700 a year, and there would be relatively little increase in the cost of the program.
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> . . .

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[10]Robert J. Myers, "Earnings Test Under Old-Age, Survivors and Disability Insurance: Basis, Background, and Experience", *Social Security Bulletin*, Vol. 27 (May, 1964), p. 4.

> On balance, while the Council does not recommend any change in the retirement test, it believes that if nevertheless a change were to be made it would be best to go a limited way in the direction of extending the $1 for $2 band.[11]

(50) At least four conflicting factors are involved in trying to decide upon the proper role, if any, for an earnings test.

(51) One is the principle of adequacy of benefits. This tends to support in principle the concept of an earnings test, although it is debatable how far earnings should be permitted without a proportionate or lesser reduction of benefits. The above quotation from the Advisory Council illustrates this point, even though the principle of adequacy is not specifically referred to.

(52) The second is the principle of individual equity. This is the principle invoked, for example, in allowing people to have their Old Age Security pension on an actuarially reduced basis as early as age 65. On this principle it can be argued that if a person works after age 65, the program should neither subsidize nor penalize him in so doing. This might be thought of as a position of neutrality. On this principle any person working after age 64 could be required to contribute if he earned more than the contributory earnings lower limit. In such circumstances his employer also could be expected to contribute. Then on retirement the individual would expect to receive larger benefits, both because he and his employer had contributed longer and because he would not be getting his retirement benefits for so long a period.

(53) The Canada Pension Plan offends against this criterion. Undoubtedly the drop-out provisions in section 48 for persons working after age 65 and the use of the earnings index will benefit thousands of people. But—and your actuaries can give you data on this—in the decades ahead for many these gains in pensions will not compensate for the gains to the program largely due to refusal to allow for the shorter period in which benefits will be payable.

(54) But the issues are even more complex. Taking the entire contributions made by employees and employers into consideration, and considering also the value of the expected benefits, the vast majority of individuals covered by the program in this century will have paid for only a small fraction of the benefits to which they and their dependents will be entitled. This is also true in the United States, as the following statement in 1964 by Mr. Myers indicates.

> A worker with the maximum covered earnings for the 27 years 1937-63 has actually contributed only $1,758. Since for a retired worker without dependents this amount represents at most only one year's benefits, it is obvious that no one has yet "bought and paid for" his own benefits. Actuarial calculations indicate that the proportion of benefits paid for by a worker's contributions is now generally less than 10 per cent (and is less than 1 per cent for many beneficiaries now on the rolls). Later on, of course, the worker's contributions will pay for a large part of his own benefit.[12]

(55) Is it then reasonable to single out the years when a contributor is aged 65 to 69, and to apply the principle of individual equity only to them, when we do not base the benefits for other years primarily on this principle?

(56) I digress for a moment to point out that Mr. Myers' quotation attacks an extremely common illusion among the beneficiaries of the program in the

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[11]Advisory Council on Social Security, *The Status of the Social Security Program and Recommendations for Its Improvement*, Washington, G.P.O., 1965, pp. 72-73.

[12]*Loc. cit.*

United States. This is the belief that they and their employers have essentially paid for their benefits by their own contributions. This opinion is shared commonly among contributors looking forward to retirement. The same illusions will become endemic in Canada, unless extraordinary efforts are made to inform the public of the relations between their contributions and their benefits under the program.

(57) A third consideration in looking at the earnings test is what economists call the opportunity cost of abolishing the test. To abolish the test would require a higher rate of premiums in the long run. Would it be better to raise the rate of contributions or to use that money for other purposes?

(58) The fourth factor raises the social and economic question: should the state encourage or discourage people from working after age 64? Or should the state be neutral, not consciously seeking to influence persons as they try to make up their minds? On the one hand is the natural impatience of many of the young and the middle-aged to advance into positions which they often regard as being held by the mentally obsolete. This opinion is often coupled with fears, frequently exaggerated, of massive unemployment caused by automation. These fears lend force to the idea of applying a little social pressure in the Canada Pension Plan to encourage early retirement.

(59) On the other hand, it is clear that the proportion of the population in reasonably good health and capable of working a few years after age 65 has increased considerably in this century. Is it sensible to discourage such people from contributing to the production of goods and services if they are willing and able to do so?

(60) I find it hard to balance these conflicting factors. I do not believe that the best way to solve part of the unemployment problem is to use the Canada Pension Plan to encourage people to retire at age 65. Again as a compromise I recommend raising the $1 for $2 band of income from an initial maximum figure of $1,500 to $2,000.

Clause 84. Constitution of Review Committees

(61) I commend the proposals for review committees, and hope they will be effective. This should be an inexpensive method of dealing with the bulk of appeals under the program.

Clause 85. Constitution of Pension Appeals Board

(62) The Legal Adviser to the Department of National Health and Welfare, Mr. Robert Curran, has suggested that there may be over 900 appeals a year to this Board once disability benefits become payable.[13] The great majority of these appeals will be in connection with disability benefits. Is there a risk that justice will be tardy, since all the members of the Board are judges, each of whom may be hard pressed with other types of cases? Presumably this problem could be met by appointment of more judges.

Clause 107. Communication of privileged information.

(63) I fully accept the idea that contributors and beneficiaries are entitled to assume that confidentiality of records will be maintained scrupulously. However, I am concerned that this clause may go too far in this direction.

(64) The Canada Pension Plan will become one of the most important government programs in Canada. As such it will be a subject of great interest to social scientists in various universities, as well as to other people. Some, like

[13] *Minutes of Proceedings and Evidence,* No. 7, December 9, 1964, p. 351.

myself, will want to make studies of the effects of the legislation. For example, it will be interesting to see, as reliable data become available for the first time, how the average age of retirement changes for men and women, and to attempt to find out the extent to which the program has influenced people in this regard. I should like it to be possible for the Department of National Health and Welfare, if the Minister consents, to provide information about contributors and beneficiaries, as long as it did not divulge the names or permit identification of persons to take place.

Clause 110(4). Limitation on payment from the Consolidated Revenue Fund.

(65) The effect of this sub-clause is to require that the program be financially self-supporting without any contribution from the Consolidated Revenue Fund. I regard this as highly important. In the report of this Committee, I hope that there will be a firm recommendation of all parties that the program should be maintained as self-supporting. Such a view has been emphasized many times in the past 15 years by the American Congress in regard to their Old-Age, Survivors and Disability Insurance Program.[14]

(66) Obviously the Canada Pension Plan will be self-supporting for at least 20 years. The critical test of whether or not it can be kept fully self-supporting will not likely come until after that time. I do not think it sufficient to say: "Well, future generations can take care of that."

(67) Why, you may ask, does it matter whether the program is self-sufficient or not? Why not look to the Consolidated Revenue Fund to make up any temporary deficiencies that may occur? After all, the Federal Government does not expect the family allowances program to be self-supporting.

(68) There are a few points commonly made in trying to answer these questions. The first is a positive point. Dean Douglas Brown of Princeton University, a leading American authority on the American Social Security Act, emphasized the psychological advantages of having Old-Age, Survivors and Disability Insurance financed by direct contributions from employers and employees.

> . . . the first incidence of any contribution to government or to any other recipient—church, family, or trade union—is of great psychological importance. Out of such incidence political influence arises, loyalty and responsibility are encouraged, and personal satisfaction and dignity are gained.[15]

(69) An American Democratic Congressman, Aime J. Forand of Rhode Island, who frequently speaks on social welfare legislation for the American Federation of Labor and Congress of Industrial Organization, commented to me:

> I am opposed to contributions [for the Program] from general revenues. This should be a self-supporting system. If we start to dig into the general fund then it amounts to a charity rather than a fund in which the individual has invested and from which he has a right to collect. Also, once you start on contributions from general revenue they can't be stopped. Many people would consider it just a dole if it came directly from the Treasury.[16]

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[14]Advisory Council on Social Security, 1965, *op. cit.*, p. 105.

[15]J. Douglas Brown, "The American Philosophy of Social Insurance", *The Social Service Review*, Vol. 30 (March, 1956), p. 6.

[16]Robert M. Clark, *Economic Security for the Aged in the United States and Canada*, Ottawa, Queen's Printer, 1960, Vol. I, para. 628, p. 153. Hereafter *Clark Report*.

(70) Organized labour as well as business organizations in the United States have supported the idea that the Old-Age, Survivors and Disability Insurance should be self-supporting.[17]

(71) Unless the costs of the Canada Pension Plan to individual families are known to the public as a whole, many people are likely to demand more in pensions than they are prepared to pay for. This is all the more likely in the first few decades of the new program, since individual contributors, generally speaking, and their employers will only be paying for a very small fraction of the benefits they get.

(72) But, you may ask, how can Parliament express its intention—if it wants to—that the Canada Pension Plan be self-supporting? As Mr. Myers recently wrote

> . . . the intent that the system be self-supporting can be expressed in law by utilizing a contribution schedule that, according to the intermediate cost estimate, results in the system being in balance or substantially close thereto.[18]

From its inception, the American Social Security Act has included provisions for specific future increases in contribution rates. I should add that the Congress has often subsequently postponed or modified earlier provisions for raising rates.[19] Since 1950, however, this has always been done within the restriction imposed by having a self-sufficient program.

(73) It is, I believe, both feasible and desirable for the Federal Government to consult with the provinces and, with their agreement to provide for necessary future increases in contribution rates to be inserted in the act a few years before they are scheduled to take effect.

Clause 116. Position of the Chief Actuary.

(74) The key role of the Chief Actuary in the American Old-Age, Survivors and Disability Insurance Program is well known to those familiar with the development of that act. For well over 20 years, Robert J. Myers has been the Chief Actuary, and has advised all Congressional committees dealing with this legislation. His influence has been far greater than one might expect from his position. I expect that Mr. E. E. Clarke will give no less distinguished service to future parliamentary committees on the Canada Pension Plan.

(75) Because actuarial studies are a highly complex and specialized field, members of this and future parliamentary committees will have to rely heavily on the advice of the Chief Actuary. In these circumstances it is essential to safeguard the position and prestige of the Chief Actuary.

(76) Not only should the Department of Insurance be made responsible for all professional actuarial work within the Government, as the Glassco Commission recommended[20], but also the Chief Actuary, I believe, like the Auditor General, should be responsible directly to Parliament, and not to the Minister of Finance.

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[17] *Ibid.*, para. 629-630, pp. 154-155.
[18] Advisory Council on Social Security 1965, *op. cit.*, p. 97.
[19] *Clark Report, op. cit.*, Table 18, pp. 118-119.
[20] Canada, *The Royal Commission on Government Organization*, Ottawa, Queen's Printer, 1963, Vol. 3, p. 297.

Clause 116 (1) & (2). Length of period for long-range forecasts.

(77) Because the full impact on costs of benefit increases is not usually felt for a few decades, it is necessary that forecasts by the Chief Actuary should extend beyond 20 or 30 years. Members of this Committee will be interested in the recommendation in the 1965 Report of the Advisory Council on Social Security in the United States that long-range costs should be projected by the Chief Actuary for 75 years.[21] The Council realized, of course, that there would be many changes in the Old-Age, Survivors and Disability Insurance Program in such a long span of years. But the Council members believed that members of the Congress needed forecasts for such a lengthy period in order to appreciate the likely consequences of various changes. The Council added the following comment.

> ...However, decisions about putting future rate increases into effect, once the rates actually being charged are high enough to cover the long-range cost of the program as shown by a reasonable minimum estimate, should be guided largely by estimates of program costs over a 15- or 20-year period.[22]

Clause 117. Canada Pension Plan Advisory Committee.

(78) The work of successive Advisory Councils under the American Social Security Act, and of the corresponding British National Insurance Advisory Committee under the National Insurance Act, has been most impressive. Individuals closely familiar with the work of these organizations agree that they have been responsible for proposing some of the most significant improvements in the acts which they have studied.

(79) Why has this happened? In both countries the government has appointed very competent individuals who were interested keenly in the program. Moreover, from the outset successive governments in both countries consistently have appointed a few persons known to be supporters of a political party opposed to the government of the day. The results have been that the reports of these committees have commanded a much wider range of support than if they had been produced by comparable committees of friends of the government. Another important factor has been the willing and active co-operation of the respective government departments on whom the committees have been dependent for information.

(80) I trust that I shall not be regarded as preaching for a call if I remark that the experience of these two countries suggests a valuable precedent for Canada.

(81) One further comment about the Canada Pension Plan Advisory Committee. I take it for granted that the Government will want to consult fairly widely before making appointments. It is, I believe, highly important that each member of the Committee should feel that he is there as an individual speaking for himself. He should not feel obliged, for example, to regard himself as the committed spokesman for the Canadian Federation of Agriculture because he is an executive of that organization.

Impact of the Canada Pension Plan on Different Industries in Canada

(82) I regret that I have not had the time to make an economic analysis of the impact of the Canada Pension Plan. I am favourably impressed with much

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[21]Advisory Council on Social Security, 1965, *op. cit.*, pp. 16-17.
[22]*Ibid.*, p. 21.

of the work contained in the document "Economic Implications of the Canada Pension Plan", proposed by the Department of Finance. It should be added, however, that by giving as much emphasis as was done to the first 20 years, the greater long-run effects of the legislation were somewhat muted. To the very limited extent that I am qualified to judge the Chief Actuary's assumptions in his report, I think highly of this study.

(83) There is, however, one economic aspect that I should like to consider briefly. This is the fact that the Canada Pension Plan will have a substantially greater relative impact on direct labour costs in some industries than in others. This is what you would expect. I do not want to make too much of the point, and I am not elaborating on it as a criticism of Bill C-136.

(84) How should we measure the different impact of the Canada Pension Plan on various industries? One valuable approach would be to take contributory earnings as a per cent of value added. Unfortunately, as far as I know, we do not have such data for various industries. As a second best, it is necessary to take total salaries and wages. This leaves much to be desired, since contributory wages and salaries as a percentage of total wages and salaries will be considerably higher in some industries than in others. A further difficulty is that except for manufacturing and mining I do not have statistics for value added. For retailers, wholesalers and the service industries the available data refer to total sales. All the data were published by the Dominion Bureau of Statistics, and are included at the end of this brief.

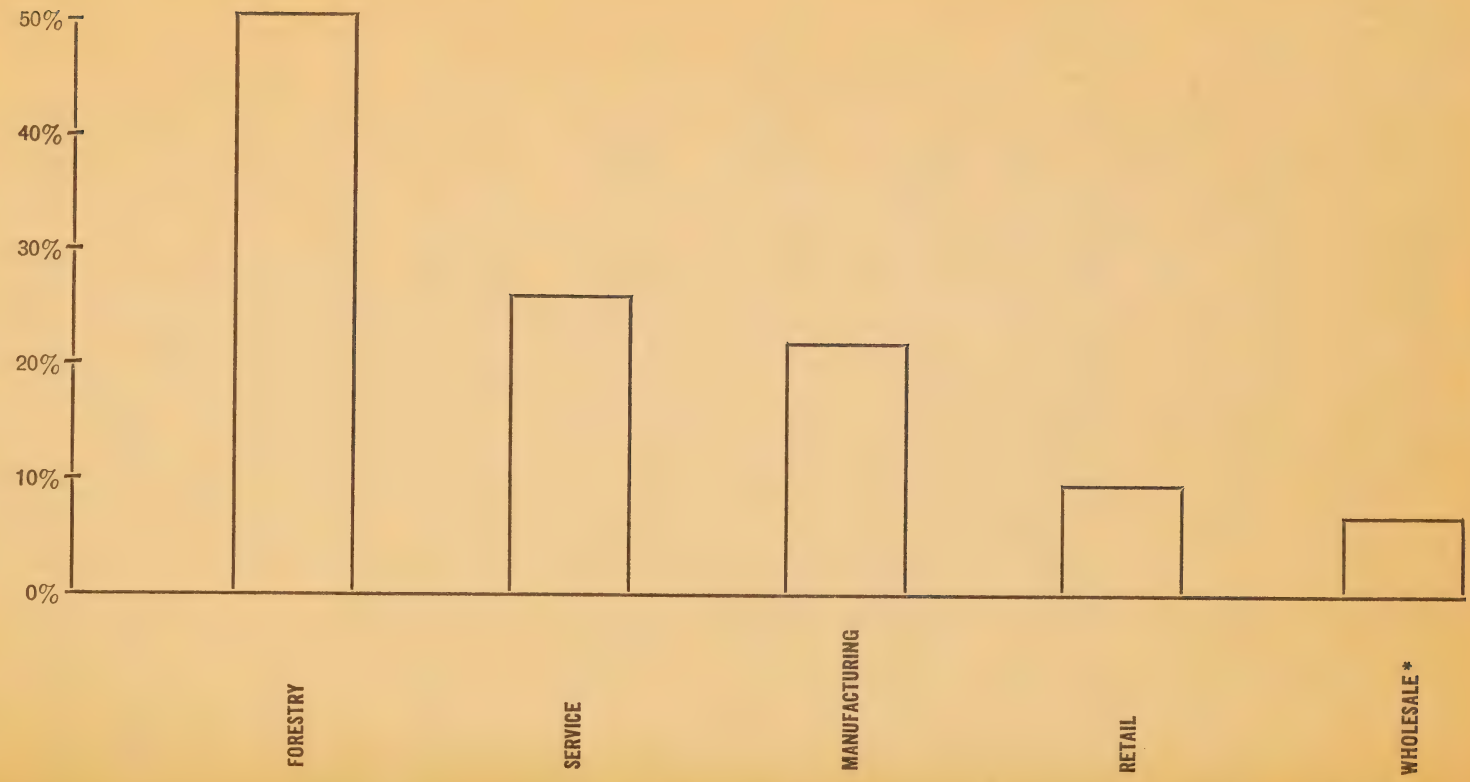
(85) The first of the following two charts shows labour costs as a percentage of total sales in forestry, service industries, manufacturing, retail, and wholesale trade. These figures refer to 1961 except in the case of wholesalers, where the latest data refer to 1958. The figures in the chart represent a weighted average for each group of industries.

(86) The very wide differences within these industrial groups stand out clearly. One qualification needs to be kept in mind. I understand that the payroll figures exclude remuneration for the self-employed. This serves to underestimate labour costs, especially for small businesses. The importance of this is relatively great in retailing and some service industries.

(87) The variations of labour costs as a percentage of payroll in service industries, manufacturing, retailing, and wholesaling is illustrated in the second chart. The very wide range within the service and manufacturing groups is evident. In the former, for example, the range of payroll as a per cent of total receipts in 1961 was from 11.8 per cent for film exchanges to 62.6 per cent for advertising agencies. Similarly for manufacturing the range was from a low of 6.8 per cent in butter and cheese plants and 7 per cent in petroleum and coal products, to a high of 46.7 per cent for manufacturers of railway rolling stock.

(88) It is also true that considerable variation is to be expected in ratios for the same industrial groups in different provinces. An extreme example of this occurs in the mining industry. At the bottom of the first page of tables at the end of the brief is a comparison for 1961 by provinces of labour costs as a percentage of net value added in processing for this industrial group. The average ratio for all of Canada was 28.5 per cent. The range was from a low of 1.5 per cent in Prince Edward Island to a maximum of 60 per cent in Nova Scotia and 61 per cent in New Brunswick. This extreme variation is, of course, largely explained by the fact that labour costs as a per cent of net value added in processing are low in petroleum and natural gas, and high in coal mining and some forms of metal mining. As you know, the relative importance of different mining industries varies greatly from province to province.

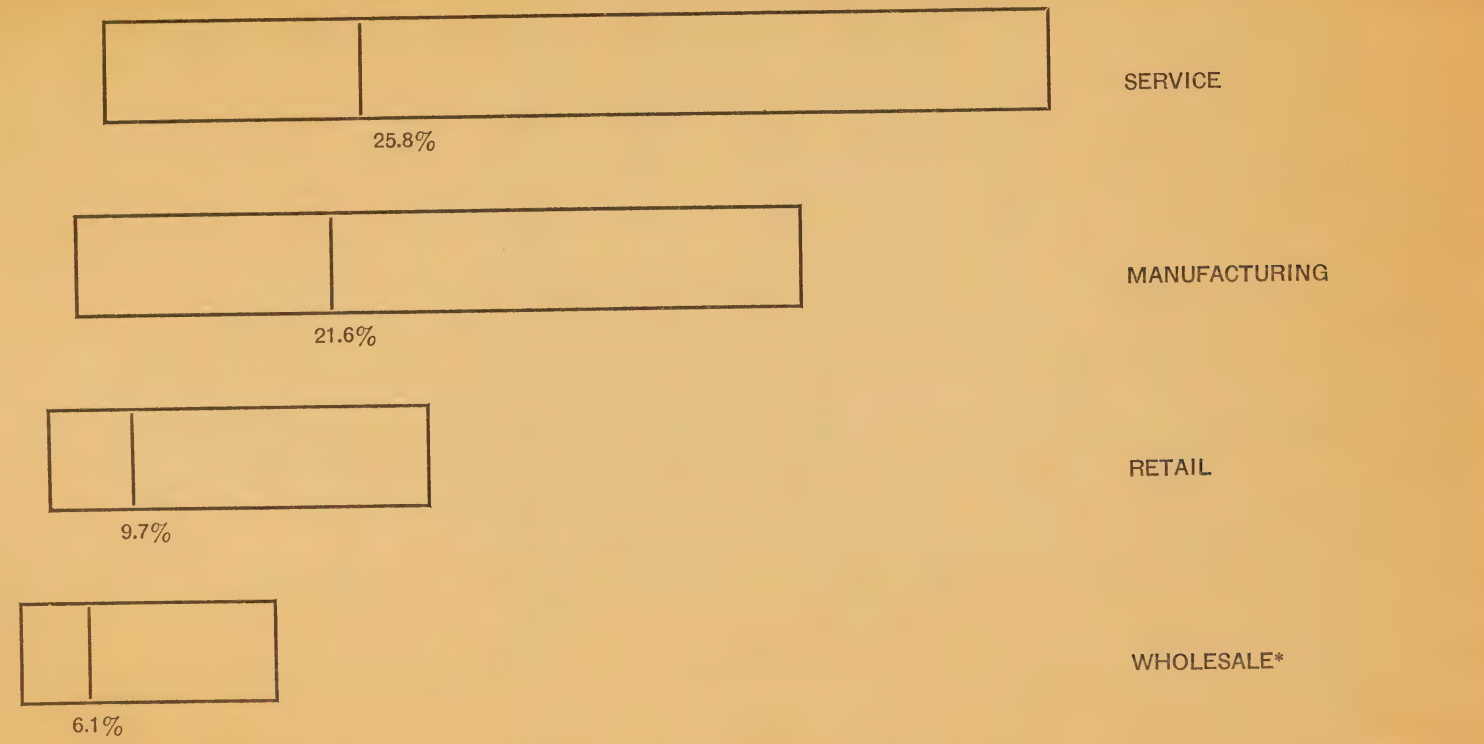
LABOR COSTS AS A PER CENT OF SALES (1961)



*1958 latest figures available

Source: See Appendix

RANGE OF LABOR COSTS AS A PER CENT OF SALES WITHIN FOUR MAJOR INDUSTRIAL CATEGORIES (1961)



*1958 latest figures available

Source: See Appendix

Deduction of Contributions from Taxable Income
Under the Income Tax Act of Contributions
Under the Canada Pension Plan.

(89) The question has been raised in your Committee: should the $1,500 ceiling on deductions of contributions to pension plans from taxable income include or exclude contributions under the Canada Pension Plan? My opinion is that the $1,500 limit is unduly low, having in mind the salaries commonly paid to top executives in business and government today. I do not think that contributions to the Canada Pension Plan should be included. Surely the effect of including such contributions would be to curtail contributions on behalf of some persons. In view of the valuable role in society of savings through pension plans, such curtailment is, I believe, unwarranted.

PART III.

The Relation of the Canada Pension Plan to Old-Age Assistance and to Old-Age Security.

(90) Two short points. It is to be expected that a majority of persons aged 65 to 69 who are not working will take their Old-Age Security at an actuarially reduced rate at age 65 when this becomes possible. If they do, the provinces and the Federal Government will save money on Old-Age Assistance. This fact reinforces the case, desirable on other grounds, for having Old-Age Assistance payable beyond age 69 to those who qualify for it.

(91) The entirely separate financing of Old Age Security and the Canada Pension Plan makes it far more difficult for the public and legislators alike to know the combined cost of both programs in terms meaningful to the individual family. I strongly recommend:

1. That the Chief Actuary in making studies for Parliament on the Canada Pension Plan under section 116 be required to show the combined cost of Old-Age Security and the Canada Pension Plan, expressed in terms of a common denominator, such as contributory earnings.

2. He should also be required to provide Parliament with such estimates not only when the Canada Pension Plan is being amended, but also when the Old Age Security Act is being amended significantly.

LABOUR COSTS AS A PERCENTAGE OF NET VALUE ADDED BY PROCESSING IN CANADIAN MINING INDUSTRIES FOR 1961

Kind of business	Number of Paid Employees last week November	Total Payroll for the year	Net value added by processing	Payroll as a Per cent of net value added by processing
		(millions of dollars)		
Metal Mining				
Nickel-copper	13,697	74.7	109.3	68.3
Gold quartz	15,876	65.5	107	61.2
Copper-gold-silver	10,901	51.4	84.0	61.2
Iron	8,049	47.1	124.6	37.8
Silver-lead-zinc	4,352	22.1	61.4	35.9
Miscellaneous metal	5,919	34.3	171	20.1
Total Metal Mining	59,597	298.8	662.6	45.0
Non-Metal Mining				
Total	11,282	51.2	151.7	33.7
Asbestos	6,875	35.0	112.0	31.3
Fuels				
Coal	10,461	35.6	58.1	61.3
Natural gas processing	744	4.5	36.6	12.2
Petroleum, Nat. gas	4,157	23.6	547.0	4.3
Total fuels	15,362	63.7	641.8	9.9
Structural Materials				
Stone	3,395	12.6	37.1	33.9
Sand and gravel	2,513	9.9	35.7	27.7
Total structural	5,908	22.5	72.8	30.9
TOTAL MINING INDUSTRIES	92,149	436.2	1,529.0	28.5
Manufacturing Group				
Clay products	3,526	13.4	24.1	55.4
Lime	825	3.6	9	39.8
Cement	3,038	16.1	76.4	21.0
Smelting and Refining	29,290	155.9	521.0	16.5
Total Mfg. group	36,679	189.0	630.6	29.9

LABOUR COSTS AS A PERCENTAGE OF NET VALUE ADDED BY PROCESSING IN CANADIAN MINING INDUSTRIES IN 1961

By Provinces	Excluding the Manufacturing Group			
		(millions of dollars)		
New Brunswick	1,460	4.7	7.7	61.2
Nova Scotia	8,322	27.2	45.5	60.0
Manitoba	3,306	16.9	34.0	49.5
Yukon	719	4.2	9.1	46.6
Quebec	22,795	104.3	232	45.0
Ontario	35,125	172.9	414.0	41.7
Newfoundland	4,293	21	53.7	39.0
Northwest Territories	975	5.7	14.8	38.4
British Columbia	6,560	32.7	95.5	34.2
Saskatchewan	3,667	20.3	162.2	12.5
Alberta	4,985	26.0	460.2	5.6
Prince Edward Island	2	2	124.6	1.5
CANADA	92,149	436.2	1,529	28.5

SOURCE: Catalogue No. 26-204, Principal Statistics of the Mineral Industry—1961. Dominion Bureau of Statistics.

PAYROLL AS A PERCENTAGE OF TOTAL RECEIPTS IN SELECTED SERVICE INDUSTRIES (1961)

Kind of Business	Number of Paid Employees*	Total Payroll for the Year	Receipts for the Year	Payroll as a Per cent of Total Receipts
		(millions of dollars)		
Business Service Group	31,124	118.6	272.6	43.5
Advertising Agencies	4,280	29.3	46.8	62.6
Other Business services, n.e.c.	7,258	27.3	65.0	42.1
Chartered & Certified Accountants	7,942	28.2	73.6	38.3
Other Advertising services	2,285	9.2	27.0	34.2
Personal Service Group	57,790	140.8	407	34.6
Laundries, Power, with Cleaning	6,293	15.6	27.6	56.3
Dry Cleaning & Dyeing Plants with Laundry	8,504	22.5	43.5	51.7
Linen Supply Service with Power Laundry	3,003	9.2	21.5	43.1
Dry Cleaning & Dyeing Plants without Laundry	6,723	17.8	42.0	42.4
Beauty Salons	13,736	28.8	86.1	33.4
Barber Shops	4,931	13.4	52.7	25.4
Shoe Repair Shops	1,516	3.1	23.2	13.4
Miscellaneous Service Group	19,614	65.0	204.1	32
Misc. Services to Dwellings & Buildings	6,539	14.0	25.7	54.6
Other Misc. Services	7,876	34.8	120.3	28.9
Auto & Truck Rentals	1,656	6.1	40.1	15.2
Repair Service Group	4,852	17.7	64.7	27.4
Armature Rewinding & Electric Motor Repair Shops	1,086	4.3	12.1	35.8
Miscellaneous Repair Shops	2,964	10.9	40	27.4
Blacksmith & General Repair Shops	482	1.4	7.6	18.5
TOTAL ALL LOCATIONS	308,465	770.1	2,908	25.8
Photography Group	3,287	10.8	47.4	23
Developing, Printing & Enlarging	1,319	4.6	21.2	21.6
Portrait Photographers	1,357	3.4	18.4	18.6

* In the last week of November, 1961.

PAYROLL AS A PERCENTAGE OF TOTAL RECEIPTS IN SELECTED SERVICE INDUSTRIES (1961)

Kind of Business	Number of Paid Employees*	Total Payroll for the Year	Receipts for the Year	Payroll as a Per cent of Total Receipts
		(millions of dollars)		
Amusement and Recreation Group	26,813	55.4	253.3	22
Bowling Alleys	6,138	8.3	33.2	25.0
Regular Theatres	9,479	15.6	74.2	21.1
Race Track Operation	1,156	4.3	24.2	17.8
Film Exchanges	819	4.1	35	11.8
Hotel, Tourist Camp & Restaurant Group	161,245	347.9	1,660.8	20.9
Eating Places with Alcoholic Bev.	9,679	22.1	77.7	28.5
Caterers	9,144	18.9	70.1	27.0
Full Year Hotels, non-licensed	2,939	5.6	21.5	26.1
Full Year Hotels, Licensed	52,890	130.3	519.9	25.1
Cocktail Lounges, Bars & Nightclubs	2,090	5.1	23.0	22.5
Eating Places	51,865	94.0	505.5	18.6
Taverns, Beverage Rooms, Public Houses	7,142	16.1	96.2	16.7
Motels	3,885	8.5	54.9	15.5
Eating Places with other Merchandise	16,307	28	190.1	14.7

SOURCE: Canada, Dominion Bureau of Statistics, Census 1961, Labour Series 3.2, Table 28.

SALARIES AND WAGES AS A PERCENTAGE OF VALUE ADDED BY MANUFACTURE, AND SELLING VALUE OF FACTORY SHIPMENTS, CANADIAN MANUFACTURING INDUSTRIES, 1961

Industry	No. Employees	Salaries and Wages	Value Added by Manufactur	Selling Value of Factory Shipments	Salaries and Wages as Per Cent of: Value Added by Manufacturers	Salaries and Wages as Per Cent of: Selling Value of Factory Shipments
		$'000	$'000	$'000	%	%
Wood	60,042	280	431	1,035	65.0	27.1
Sawmills	41,134	145	218	535	66.3	27.0
Veneer & Plywood Mills	11,109	42	60	144	70.3	29.0
Sash & Door & Planing Mills	16,175	55	94	235	58.6	23.0
Leather	31,413	89	140	291	63.8	30.8
Transportation Equipment	107,709	522	829	1,961	63.0	26.6
Aircraft & Parts Manfrs	28,386	142	192	348	73.9	40.8
Motor Vehicle Manfs	21,673	121	277	871	43.6	13.9
Motor Vehicle Parts & Accessories	28,820	103	161	353	64.1	29.2
Railroad Rolling Stock	16,529	73	79	182	92.3	39.0
Shipbuilding & Pepair	14,848	64	87	137	73.6	46.7
Furniture & Fixtures	33,153	112	185	362	60.7	31.1
Machinery (except electrical)	42,083	196	330	640	59.3	30.6
Agricultural Implements	10,487	49	60	138	82.4	35.9
Miscellaneous Machinery & Equipment	26,610	123	209	391	58.9	31.4
Electrical Products	79,531	353	617	1,205	57.3	29.3
Mfrs. of Major Appliances	11,084	47	92	206	50.7	22.7
Communications Equipment	24,567	110	163	251	67.2	43.7
Mfrs. of Elec. Indust. Equip	16,404	81	129	219	62.6	37.0
Metal Fabricating (except Machinery & Trans. Equipment)	94,611	422	739	1,493	57.1	28.3
Fabricated Struct. Metals	13,789	68	96	210	71.2	32.6
Metal Stamping, Pressing & Coating	18,584	85	168	374	50.4	22.7
Wire and Wire Products	11,995	57	92	220	62.0	25.8
Knitting Mills	21,459	57	101	219	57.1	26.2
Printing, Publishing & Allied	72,779	328	591	872	55.5	37.6
Miscellaneous Mfg	46,289	172	309	575	55.5	29.9

SALARIES AND WAGES AS A PERCENTAGE OF VALUE ADDED BY MANUFACTURE, AND SELLING VALUE OF FACTORY SHIPMENTS, CANADIAN MANUFACTURING INDUSTRIES, 1961 (Concluded)

Industry	No. Employees	Salaries and Wages	Value Added by Manufactur	Selling Value of Factory Shipments	Salaries and Wages as Per Cent of: Value Added by Manufacturers	Salaries and Wages as Per Cent of: Selling Value of Factory Shipments
		$'000	$'000	$'000	%	%
Textiles	62.544	212	393	875	54.1	24.3
Cotton Yarn & Cloth Mills	17,384	56	96	237	58.0	23.6
Synthetic Textile Mills	15,849	59	123	249	48.0	23.9
Fish Products Industry	13,542	30	59	170	51.2	17.9
ALL MANUFACTURING INDUSTRIES	1,264,946	5,231	10,682	24,243	49.0	21.6
Rubber	18,860	82	171	331	47.8	24.8
Non-Metallic Mineral Products	40,128	174	381	675	45.6	25.6
Paper & Allied	94,862	471	1,071	2,206	44.0	21.4
Pulp & Paper Mills	65,799	335	842	1,634	39.8	20.5
Paper Box & Bag Manfrs.	17,436	68	127	343	53.0	19.6
Primary Metal	87,238	458	1,130	2,806	40.5	16.3
Iron & Steel Mills	65,799	335	842	789	46.9	24.5
Smelting & Refining	29,290	156	530	1,471	29.4	10.6
Aluminum Rolling, Casting	5,893	28	39	110	83.7	25.8
Food & Beverages	188,855	688	1,705	4,905	40.4	14.0
Slaughtering & Meat Packing	25,075	113	183	1,081	61.8	10.4
Butter & Cheese Plants	7,493	22	44	324	49.6	6.8
Pasteurizing Plants	21,678	84	136	412	61.9	20.5
Fruit & Vegetable Canners	16,467	49	131	328	37.7	15.0
Bakeries	35,637	116	194	370	59.6	31.3
Miscellaneous Food Mfrs.	1,922	43	152	408	28.3	10.6
Chemical & Chemical Products	52,167	254	761	1,434	33.4	17.7
Tobacco Products	9,442	39	129	335	30.4	11.7
Petroleum & Coal Products	14,053	85	291	1,220	29.4	7.0

SOURCE: Dominion Bureau of Statistics: *Manufacturing Industries of Canada* (Section A—Summary for Canada) 1961. Catalogue No. 31-203 (Queen's Printer, Ottawa), May 1964.

PAYROLL AS A PERCENTAGE OF TOTAL RECEIPTS IN SELECTED RETAIL TRADES—1961

Kind of Business	Number of Paid Employees*	Payroll for the Year	Receipts for the Year	Payroll as a Per cent of Total Receipts
		(millions of dollars)		
General Merchandise Group	169,877	382.7	2,716.7	14.1
Department Stores Mail Order Houses operated by Dept. Store firms & other non-dept stores operated by Dept. store firms	112,912	268.7	1,551	17.3
Variety Stores	30,796	57.8	373.9	15.5
Gen. Mdse. Stores	9,241	21.6	184.9	11.7
General Stores (More than ⅓ food)	16,928	34.7	607.4	5.7
Hardware & Home Furnishings Group	42,986	137.3	1,115.9	12.3
Floor coverings, curtains, upholstery and interior decoration stores	2,839	9.4	62.5	15.0
Television, radio, piano & Music stores	1,238	4.2	28.5	14.9
TV & Radio Repair shops	1,497	4.2	29.1	14.6
Household Appliance Stores	6,164	20.9	145.7	14.3
Paint, Glass & Wallpaper Stores	1,344	4.0	33.6	12.0
Furniture stores	7,605	27.0	231.0	11.7
TV sales & Service	1,295	3.5	31.4	12.2
Hardware Stores	11,649	33.0	295.2	11.2
Furniture, TV, radio & appliance stores	5,747	20.2	184.3	10.9
Apparel & Accessories Group	57,197	137.4	1,166.4	11.7
Furriers & Fur stores	2,732	7.5	49.6	15.2
Childrens & Infants wear stores	2,051	3.5	41.9	15.2
Women's Ready-to-wear	16,346	37.2	295.5	12.6
Family shoe stores	8,346	20.7	170.2	12.2
Family clothing & furnishing stores	13,027	28.6	250.9	11.4
Mens & Boys clothing	7,823	24	222.8	10.8
Piece goods stores	2,143	4.5	45.0	9.9
TOTAL—ALL STORES	587,378	1,555	16,072.9	9.7

* Last week of November, 1961.

PAYROLL AS A PERCENTAGE OF TOTAL RECEIPTS IN SELECTED RETAIL TRADES—1961 (Concluded)

Kind of Business	Number of Paid Employees*	Payroll for the Year	Receipts for the Year	Payroll as a Per cent of Total Receipts
		(millions of dollars)		
Automotive Group	129,593	441.6	4,602.4	9.6
Paint & Body shops	4,304	15.3	62.1	24.7
Other specialty repair shops	2,767	10	45.9	21.7
Garages	13,180	41.3	261	15.8
Accessories, tire & battery shops	8,195	28.5	223.0	12.8
Automobile dealers, with wholesale car depts	16,555	70.4	777.0	9.1
Automobile dealers	40,093	154.2	1,717.1	9.0
Service stations	37,396	98.3	1,231.1	.0
Automobile dealers, with farm implements	2,337	7.9	104.7	7.6
Used car dealers	2,739	10.3	158	6.5
Other Retail stores Group	70,632	201.7	2.173.2	9.3
Florists	3,445	8.6	51.8	16.6
Drugstores with meals or lunches	1,704	4.4	26.8	16.5
Jewellery stores	7,906	20.7	144.9	14.3
Book & Stationery stores	2,841	6.8	53.7	12.8
Drugstores without meals or lunches	21,598	55.9	440.4	12.7
Fuel dealers (other than oil)	4,735	17.2	138.1	12.5
Music stores	1,004	2.7	21.8	12.4
Cameras & Photographic supply stores	1,147	3.6	32	11.4
Sporting goods stores	1,770	5.2	50.6	10.2
Boats, outboard motors, boating accessories	855	3.2	33.3	9.7
Fuel oil dealers	4,988	18.4	208.57	8.8
Gift, novelty & souvenir shops	1,654	3.1	36.2	8.5
Brewers' retail stores or agents	1,847	6.8	131.9	5.2
Tobacco stores & stands	2,762	4.7	104.4	4.6
Government liquor stores	5,831	20.7	534.1	3.9
Food Groups	117,093	254.2	4,298.2	5.9
Dairy Products stores	1,378	2.8	27.3	14.0
Bakery Products stores	6,528	13.3	126.9	10.5
Meat Markets	7,036	17.4	250.0	7.0
Combination stores (grocery with meats)	79,175	184.2	2,915.2	6.3
Fruit & Veg. stores	1,016	2.1	38.1	5.6
Grocery stores (without fresh meat)	16,278	26.9	788.5	3.4
Confectionery stores	2,703	3.2	106.8	3.0

SOURCE: Canada Census, 1961, Retail Trade Series 1–6, Table 1.

PAYROLL AS A PERCENTAGE OF TOTAL RECEIPTS IN SELECTED WHOLESALE INDUSTRIES—1958

Kind of Business	Number of Paid Employees*	Payroll for the Year	Receipts for the Year	Payroll as a Per cent of Total Receipts
		(millions of dollars)		
Jewellery	1,106	4.1	35.1	11.7
Machinery (New & Used) *Equipment & Supplies*	25,631	109.0	967.6	11.2
Commercial, Institutional & Service Equipmt. & Supplies	4,202	16.9	106.5	15.8
Professional Equipt. and Supplies	2,926	11.8	75.4	15.6
Construction Equipt. & Supplies	5,204	23.2	210	11.0
Industrial & Transportation Mach. Equipt. & Supplies	11,690	50.6	496.4	10.1
Farm Machinery & Equipment	1,324	5.1	68.0	7.6
Amusement, Sporting Goods, Photographic Equipt. & Supplies	1,841	7.3	70.0	10.5
Hardware	9,288	31.8	307.4	10.3
Furniture & House Furnishings	3,835	15.2	149.4	10.1
China, Glass & Housewares	1,908	7.2	52.9	13.6
Household Furniture & House Furnishings	783	3.1	34.2	9.2
Floor Coverings	872	3.6	53.4	6.8
Automotive	12,591	47.5	485.4	9.8
Automotive Parts & Accessories	10,972	40.6	352.4	11.5
Motor Vehicles (New and Used)	1,291	5.7	123.5	4.6
Electrical Goods	6,149	25.7	297	8.6
Radio, TV. & Electrical Parts & Accessories	1,625	6.8	60.7	11.3
Electrical Wiring, Supplies, Cons. Material, Equipt. & Supplies	3,117	13.5	131.4	10.2
Household Electrical Appliances & General Line	1,407	5.3	105	5.0
Plumbing, Heating, Air Conditioning, Equipt. & Supplies	3,584	15.1	175.4	8.6
Waste Materials (including Scrap Metal)	3,577	11.6	138.3	8.4
General Merchandise	2,675	8.4	102.2	8.2

* September, 1958.

PAYROLL AS A PERCENTAGE OF TOTAL RECEIPTS IN SELECTED WHOLESALE INDUSTRIES—1958—(Concluded)

Kind of Business	Number of Paid Employees*	Payroll for the Year	Receipts for the Year	Payroll as a Per cent of Total Receipts
		(millions of dollars)		
Dry Goods & Apparel	7,191	25.6	328.8	7.7
Dry Goods, Piece goods & Notions	3,997	14.4	177.1	8.1
Clothing & Furnishings	2,652	9.4	118.6	7.9
Footwear	542	1.7	33.0	5.3
Other Kinds of Business	2,712	8.0	109.0	7.3
Books, Periodicals & Newspapers	1,064	3.5	30.2	11.7
Other Kinds of Business	1,648	4.4	78.8	5.6
Lumber, Construction Materials & Supplies (Other than Metals)	9,457	36.29	502.6	7.2
Chemicals, Drugs & Allied Products	6,028	21.5	301.2	7.1
Chemicals & Allied Products other than below	590	2.6	21.1	12.2
Drugs, Drug Sundries & Toilet Preparations	4,344	14.0	175.5	7.9
Industrial Chems	1,094	4.9	104.6	4.6
ALL ESTABLISHMENTS	134,939	504.3	8,259.5	6.11
Metals & Metal Work	2,780	13.1	227.8	5.7
Petroleum and Petroleum Products	2,510	9.3	169.4	5.5
Beer, Wine & Distilled Spirits	797	2.5	48.5	5.1
Paper & Paper Products	3,047	11.6	240.6	4.8
Groceries & Food Specialties (including Produce)	12,737	42.5	1,142.8	3.7
Farm Supplies (Inc. Agric. Chem.)	683	2.4	70.8	3.4
Food Products (except Groceries) & *Tobacco*	14,014	44.1	1,335.8	3.3
Confectionery & Soft Drinks	867	2.7	33.5	8.1
Fresh Fruit & Veg	5,431	17.1	360.6	4.7
Cigars, Cigs. & Tob	3,494	11.8	638.5	1.8
Coal & Coke	863	3.6	161	2.2
Farm Products (Raw Material)	1,414	5.9	868	.6
Other Farm Products than below	415	1.9	42	4.4
Grain	870	3.8	807.3	.4

SOURCE: Wholesale Trade Proper. 1958 and 1959 Dominion Bureau of Statistics, Catalogue No. 63-508, occasional, p. 12.

(MEETINGS HELD DURING THE ADJOURNMENT OF THE HOUSE)

MINUTES OF PROCEEDINGS

FRIDAY, January 22, 1965
(41)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 10:00 o'clock a.m. this day. The Joint Chairman of the Senate section, Senator Fergusson, presided.

Members present:

Representing the Senate: Honourable Senators Boucher, Denis, Fergusson, Lefrançois, Smith (*Queens-Shelburne*), Stambaugh, Thorvaldson (7).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Côté (*Longueuil*), Francis, Gray, Gundlock, Knowles, Laverdière, Leboe, Lloyd, Monteith, Morison, Munro (16).

In attendance: Dr. Robert M. Clark, University of British Columbia. *From the Canadian Association of Social Workers:* Mr. Harry M. Morrow, M.S.W., President; Miss Florence Philpott, Executive Director, and Mr. Walter Lyons, M.S.W.

In accordance with the resolution of the Committee of January 19, 1965, the brief previously submitted by the Canadian Association of Social Workers for distribution is appended to this day's Minutes of Proceedings and Evidence. (*See Appendix A32*)

The Joint Chairman (Mrs. Fergusson) introduced the members of the delegation from the Canadian Association of Social Workers and invited them to summarize their brief.

Mr. Morrow explained the main points in the brief, following which he and the other members of the delegation were questioned.

The questioning having been concluded, the Joint Chairman expressed the thanks of the Committee to the delegation.

Mr. Munro moved a vote of thanks to the representatives of the Canadian Association of Social Workers, both for their excellent brief and for their manner of presenting it to the Committee. The motion was seconded by Mr. Lloyd and carried unanimously.

Dr. Clark was recalled and, at the request of the Joint Chairman, made a brief statement to complete evidence which he had not had time to deal with at the previous evening's sitting. Following questioning by the members, Dr. Clark was thanked by the Joint Chairman on behalf of the Committee.

Mr. Lloyd moved a vote of thanks to Dr. Clark for the very valuable information he had supplied to the Committee, both in his comprehensive brief and in his answers to questions. The motion was seconded by Mr. Cantelon and carried unanimously.

The witness then withdrew.

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On motion of Mr. Knowles, seconded by Mr. Francis,

Resolved,—That information filed with the Committee at the previous evening's sitting be included as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix A33*)

On motion of Mr. Francis, seconded by Mr. Aiken,

Resolved,—That Dr. Clark be reimbursed for his travel expenses Vancouver to Ottawa, and return, and that an allowance also be paid to him to cover secretarial expenses incurred in the preparation of his brief.

At 12:45 p.m. the Committee adjourned until 2:30 o'clock p.m. this day.

Dorothy F. Ballantine,
Clerk of the Committee, pro tem.

AFTERNOON SITTING

(42)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reconvened at 2:37 o'clock this afternoon. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Boucher, Denis, Fergusson, Lefrançois, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh (7).

Representing the House of Commons: Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Côté (*Longueuil*), Francis, Gray, Knowles, Laverdière, Leboe, Lloyd, Munro (12).

In attendance: From the Canadian Labour Congress: Messrs. Claude Jodoin, President; A. Andras, Director, Legislation Department; Russell Irvine, Associate Director of the Department of Research; Donald MacDonald, Secretary-Treasurer.

The Joint Chairman opened the meeting and invited Mr. Knowles to introduce Mr. Claude Jodoin and his delegation.

Mr. Côté (*Longueuil*) welcomed the delegation in French.

Then Mr. Jodoin asked Mr. Andras to summarize the brief previously submitted by the Canadian Labour Congress and was questioned thereon assisted by the other members of the delegation. The Joint Chairman reassured the delegation that their brief will be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix A34*).

The Committee completed its examination of the delegation.

The Joint Chairman, on behalf of the Committee thanked the witnesses and they retired.

On motion of Mr. Munro, seconded by Mr. Knowles,

Resolved unanimously: That a vote of thanks be extended to the members of the delegation from the Canadian Labour Congress for their valuable brief and contribution to this Committee.

In accordance with a request made by Senator McCutcheon at the sitting held on Thursday, January 14, 1965, two pamphlets, forwarded to the Committee by Mr. Robert J. Myers, Chief Actuary Social Security Administration of U.S.A., are appended to this day's Minutes of Proceedings and Evidence; namely: "The Effect of Dynamic Economic Conditions on a Static-Provision National Pension Scheme, by Robert J. Myers (United States)", (*See Appendix A35*), and "The Journal of Risk and Insurance". (*See Appendix A36*).

At 5:18 o'clock p.m. the Committee adjourned until 10:00 o'clock a.m. on Monday, February 1, 1965.

Maxime Guitard,
Clerk of the Special Joint Committee.

(*Please note, that all the evidence adduced in French and translated into English for the sittings held on Friday, January 22, 1965 was recorded by an electronic recording apparatus pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, on May 20, 1964.*)

EVIDENCE

FRIDAY, January 22, 1965.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Gentlemen, we have a quorum, and I think we had better begin. If we have sufficient time after the hearing of these witnesses scheduled for this morning, Dr. Clark is going to be with us and he will be prepared to finish off his presentation and answer questions from the committee.

This morning's brief has been presented to us and I am sure you have all read it. It is from the Canadian Association of Social Workers, and our first witness is Mr. Harry M. Morrow, Master of Social Work, and President of the Canadian Association of Social Workers. Mr. Morrow is an ordained minister of the United Church, and served as a chaplain in the Canadian Army from 1943 to 1946; for many years Mr. Morrow was executive director of a settlement house in Vancouver, B.C., and since 1955 has been the executive director of University Settlement in Toronto.

The second witness is Miss Florence Philpott who is the executive director of the Canadian Association of Social Workers. She was formerly head of the Social Planning Council of Toronto, and before that she was with the Y.W.C.A. in Winnipeg. I am sure that many members of the committee will be very interested to know that she is a sister of the well-known journalist, the late Elmore Philpott, who, in the 1950s, was for several years a member of the House of Commons.

The third witness we have is Mr. Walter Lyons, who is also a Master of Social Work. He has assisted in preparing this presentation and has had many years of experience as a case worker and supervisor in various family and child service agencies in Winnipeg, Philadelphia and Toronto. Since 1957 he has been a senior executive of the Jewish Home for the Aged in Toronto.

Mr. Morrow, Miss Philpott and Mr. Lyons, I presume you understand how these meetings have been conducted. We have all received your brief, and I assure you we have studied it, because this committee is the best I think I have ever known for coming prepared after having done its homework. We would ask you to summarize what you have put in the brief rather than read it, and we would like you to bring out the points that you particularly want us to known about and then submit yourselves, if you will, to questions by the members of the committee. I would ask the first speaker to speak.

Mr. HARRY MORROW, *President, Canadian Association of Social Workers:* Madam Chairman and Members of the Committee, we wish to express our appreciation for this opportunity of appearing before this joint committee of the Senate and the House of Commons which is considering the Canada Pension Plan bill, and I should like to say one or two things by way of introducing our brief.

In the first place, we were encouraged by the first paragraph of the White Paper which emphasizes that the Canada Pension Plan is designed to extend social service protection to people in retirement, to widows, orphans and the disabled, and that it will be part of the social security system. Further, the White Paper goes on to say that this is to establish a contributory pension plan, ensuring that as soon as possible in a fair and practical way all Canadians will be able to look forward to retiring in security and with dignity. We were encouraged by seeing the word "all" in the wording of this paragraph.

The Canadian Association of Social Workers is an organization of professional people working in the welfare field. Many of our members carry senior responsibility in Government departments and in voluntary associations across Canada from Newfoundland to British Columbia. We see this legislation as an aspect of social security. It is a bit like a pie, and we see this as one slice, or one segment, of a total pie which in our own traditional way we seem to be working towards in Canada.

In regard to the bill itself, we see many advantages to what is being proposed. We support the bill for the reason that, first, it will provide some social security for a large group of Canadians. Wage earners and people of modest incomes will receive more co-operation and more protection through this bill. We are interested in the supplementary proposals that are being made to care for the three groups that are distinct from the retired group.

As I said, this will help the wage earner. We support the contributory aspect, and we support the principle of a variation in payments, because this is one of the realities that is necessary, and the adjustments to cost of living on retirement cannot be too drastic. The variable payments based on premiums that have been paid in the past, we think is a good thing. We also think the portability of this pension plan is good. This will give people some security which otherwise they would not have because of the limiting conditions if employment is changed.

We feel that this plan will reduce but not eliminate the need for social assistance programs for older people and the disabled. We support the idea of the supplementary benefits. We have some question about the way in which the payments have been arrived at, and we have some questions as to the way in which they will be administered.

We feel that one aspect of this proposal is that there will be a shifting of financial responsibility in certain categories of people from the provincial to the federal area, and this should mean a strengthening of services at the provincial level.

Now, while we like these things about the plan we feel that there are certain limitations that have to be born in mind, and we feel that these limitations are very real and that if they are not given serious consideration, either through the way in which the plan is worked out or through complementary legislation, that the overall effectiveness of the plan to meet the retirement needs and special needs of all people will not be met. In the first place, we think, through our study of the plan, that there is inadequate security for the low income groups. The people who are regularly employed, as I said earlier, will do rather well, but we feel that the marginal groups—the low income groups—are not adequately protected, and that some forms of supplementary assistance or some different base of payment for the low income groups must be considered.

We question the ceiling of $5,000 as the basis of payments, and wonder if this is not regressive, and whether the contributions should be based on a somewhat higher income so as to provide a little more support, particularly in the benefits of the lower group.

We feel that supplementation is going to be needed for many people, and that this form of supplementation must be insured so that everyone is assured of an adequate standard of living. This, you might argue, is not a social insurance need, but nevertheless it is a real need, and it is inherent in this scheme that we recognize this.

We question the matter of the different levels of flat rate payments—the $25 in the supplementary benefits as against the higher level for retirement—and we wonder about the rationale, although we recognize that this is com-

pletely new legislation in Canada providing the supplementary benefits for a group we had not previously had covered.

We note that there is no security for wives and dependent children of breadwinners, who become incapacitated. If a man dies his widow and dependent children are provided for, but if he is incapacitated and thend dies the provision does not appear to be made.

The question of appeals and information, we think, is a matter that needs to be considered and given clarification and provided for in the program. We think that the right to information about the plan should be mandatory. We believe that there should be a provision for appeals that is simple, and that help in preparing an appeal should be provided by the Government because we have had some experience with people setting themselves up as experts to help particularly the less adequate people, and making a living on something out of which a living should not be made.

Finally, we notice that the financial audit is to be presented to Parliament every five years. We feel that it is just as important as having a financial audit to have a social audit prepared and submitted to Parliament along with the financial audit, which deals with the finances.

One of the problems in this plan is that of relating social insurance and health and welfare programs. These are all part of the total social security need and we feel that we must not get caught in saying the income maintenance part of the program is the be all and end all of the services of these particular groups.

One area in which this problem can be illustrated is in the question of disability payments. The matter of definition of the disabled is one question. Another matter is whether people should be required to take training so that their disability period is temporary so that they can return to the employment market. There is also the question of availability of a high level of specialized services so that rehabilitation services can be provided for the disabled, in order that in some cases they will cease to be treated as disabled people and will be able to return to the labour market at least in a partial way.

One might say that this is not the concern of the C.P.P., however it is part of the over-all concern and is implied in the recognition of some provision of pension under the supplementary benefits.

In conclusion, I would like to read the last paragraph in our submission if I may. It says:

> The effectiveness of this Pension Plan is directly related to all other programs of service and income maintenance provisions. It is essential that rehabilitation services, personal counselling services, educational services, a housing program and other welfare services be considered as equally important facets of a total social security program in Canada. It is most desirable, therefore, that the entire network of social assistance and social welfare measures in Canada be reviewed with a view to ensuring a broad social security program which will meet the needs of all Canadians, regardless of financial status.

In a word, we support the Canada Pension Plan bill as providing a significant and substantial improvement in the social security program. But we support it only as a part of total security and we feel that the services to people and the needs for supplementation of the low income and marginal income people must be taken care of, either through this bill or through complementary legislation.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much. You have made an excellent summary, and I am sure many members would like to ask questions.

Mr. KNOWLES: Madam Chairman, may I be permitted to say, in the shortest way I can, that I like this brief for what it says and I am delighted in the way in which Mr. Morrow has presented it.

It is pretty clear that the Association supports the Canada Pension Plan for the good that is in it, but feels there are certain gaps to which attenion should be paid, and these gaps have been indicated. Assuming that this committee, in view of quite a few representations along the lines you have made does recommend to Parliament that attention be paid to these various gaps, when do you think that attention should be paid?

Mr. MORROW: We feel that the attention should be paid at an early date but that it should not be a delaying kind of move, that this bill should be treated independently and should proceed, but that there should be some assurance that those gaps are recognized and that the next step in social security is to face up to these gaps.

Mr. CANTELON: I notice that you are rather disturbed about the way in which the bill proposes handling appeals. We were given some suggestions by Mr. Myers, the Chief Actuary of the United States, that they use a way of handling appeals which provides four specific ways, one way after the other. I wonder if you are familiar with those at all.

Mr. MORROW: Mr. Lyons will answer that question.

Mr. WALTER LYONS: *Senior Executive of the Jewish Home for the Aged in Toronto:* Our suggestion for handling appeals derives from the knowledge we all have that a study of the plan shows it is complicated. It requires a computer to work out many things, and there are many ifs, ands and buts, and choices. The human being is not always able to master these and understand fully his rights and choices. Not all people are in an equal position to purchase skilled service. We believe it is important that a government-sponsored service for the client should be built into the plan—not for the plan but representing the client.

Mr. BASFORD: You mean a sort of instructional service to make sure he understands the plan?

Mr. LYONS: Not only the service of instruction but a service to help him and represent him.

Mr. BASFORD: You mean an advocate, something like the advocate under the pensions plan?

Mr. LYONS: Yes, so that the protection of the person's interest does not depend upon his varying ability to comprehend, or the resources that he happens to have, but is built in as a matter of right. It should be a person who represents and who is there to protect. This would also protect the public against what could easily happen through private services developing to represent the client in his presentation to the Government and take as a fee a percentage of what is obtained for the client. That could be a pernicious system which could develop.

Mr. CANTELON: However, I gather that you wish the appeals to be handled more directly than is suggested in the bill.

Mr. MORROW: Yes.

Mr. CANTELON: As to the suggestion you make that there be a report every five years, would you elaborate as to the kind of report you have in mind?

Mr. MORROW: For some reason we have always recognized financial needs and financial auditing, but we do not always look at the social purposes of a bill such as this to see how the objectives are being achieved for which the program is set up. Therefore in proposing the social audit we really are proposing that, in addition to a financial audit, a look should be taken at the

purposes of the bill to see how they are being realized through the actual administration of the bill.

Mr. CANTELON: Might I have your suggestions as to who might do that, whether it should be the House of Commons or some body outside the House of Commons? Personally, I would favour someone outside.

Mr. MORROW: This is a debatable point. There are merits for a committee and merits for an outside group. We were not able to come up with a suggestion one way or the other as we saw arguments both ways.

Mr. CANTELON: The Government received suggestions from other witnesses that as people get older their needs of assistance grow greater. The basis for this is that their assets run down as they get older and living standards and cost of living change as they get older. It was suggested that more money should be available to people as they get older. Would you care to comment on that?

Mr. LYONS: At the Senate Committee on Aging the point was raised that as people get older they have many more difficulties. The tendency in the past was to try to solve these difficulties by a home for the aged or by institutional care. Throughout the world in all progressive countries, and in our own country too, thinking people believe that older people should be able to have choices and numbers of ways of meeting their needs. Their expenses may go up, they may require a char service to help them keep an apartment clean, they may have to send laundry out, they may not be able to use public transportation. There are many practical ways in which supplemental service can assist older people and such people should be able to purchase that supplemental service, if it is available, to help them to stay in the community and in the normal pattern of living. It is only when an older person has a sufficient income to purchase this that he is assured of the best kind of living. So we start with this point of view.

Now, this is not true of all older people. However, this is not a plan which is individualized, but it is a plan that is on the basis of what older people can expect, and the older you get and draw your pension the more you are likely to need for these purposes.

Mr. CANTELON: Thank you. That is very interesting.

Mr. CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Lloyd?

Mr. LLOYD: Madam Chairman, I join with the others in expressing appreciation to the association for their contribution to the evidence in support of the Canada Pension Plan, and also for their constructive observations as to how or where our government's attention should be directed in future.

I was particularly interested in your references to the $600 exemption. We did have representations to the committee that for the sake of administrative considerations and to avoid the possibility of a large volume of refunds that $600 exemption might be removed. I believe it was the witness who was supporting the fund who had suggested this. Have you given that matter some consideration? Your view goes the other way a bit.

Mr. MORROW: We see two problems. We will be very honest with you—it is a bit of a dilemma. As far as the benefits are concerned, it is good that people become participants in the fund at as low an income base as possible. From the point of view of contributing to the fund, even though it is a very modest contribution, at its lower level it is still in effect a tax, you might say, on this group, many of whom would in the normal part of the event be supported by the stronger and higher earning group in the community. A $600 income is a very low income, and we had wondered if people could be registered at that point; but payments of any amount start at a higher figure, and it would be more realistic in terms of annual earnings.

Mr. LLOYD: I know, as you say, there is a bit of a dilemma, because I think you have observed academically that it is described as a regressive tax.

Mr. MORROW: Yes.

Mr. LLOYD: On the other hand, the amount of dollars attracted from the economy, from the taxes, divided between employer and employee, that relieves the regressiveness a bit. Like so many things in government measures, you try to ease the shortcomings for the sake of administrative simplicity.

In the case of a man earning $20 a week, if he is earning that for a very few weeks, perhaps he will not reach $600 a year. In the case of individuals earning in the low income brackets, and even non-taxable in most cases, if there has been some deduction, they will file tax returns for the sake of getting the refund on the tax payment. We have many, many instances of that happening. So there are qualifications to all assertions that have been made. Would you think it would be a serious matter from the point of contribution should the $600 exemption be removed?

Mr. LYONS: For clarification, when you say if the $600 were to be removed, do you mean everybody who earned income would automatically be a member of the plan?

Mr. LLOYD: This has been the suggestion. I think one witness suggested $150, Madam Chairman.

Mr. KNOWLES: One hundred and fifty dollars would be the automatic exemption. This is what some supported.

Mr. LYONS: Generally, as our Association says in the brief, this plan leaves the lower income people, the marginal wage earner, in effect uncovered, and that anything which improves the situation we would support.

We also draw attention to the fact, that since you mentioned the regressive nature, that this has to do with what appears to be a somewhat arbitrary line of cut-off of $5,000 for the payment of contributions. There are about 465,600-odd of a labour force of 6,471,000 who are earning over $6,000.

Mr. LLOYD: Would you repeat that please?

Mr. LYONS: There are about 465,600 people who are earning over $6,000; and it seemed to us that in the matter of financing the subsidy, consideration should be given to upping this $5,000 cut-off to a higher figure so that there is a greater amount in the fund for the subsidy of the lower income group.

Mr. LLOYD: You understand, of course, that originally the fund was supposed to be a pay-as-you-go plan, and that as a result of negotiation between provinces and the federal government the people compromised it to a sort of general reserve fund which had the effect of levelling out the contribution for a period of time, and in the long run you pay as you go. So that if the fund is insufficient at some future time, as I see this bill, it is a commitment of government to maintain the dollars it utilized in the general reserves of government, in the long run. I think it is pretty clear to anyone that the fund is not an actuarial fund to produce all the benefits. It is a sort of a substantial reserve at the moment.

Mr. KNOWLES: Madam Chairman, may I ask a supplementary question on that point? I think it is clear, and this is a question I have asked before in this committee, but when you ask for an upping of the $5,000 level you are asking it for only on the contribution side; is that right?

Mr. LYONS: I do not know how you can ask it for a contribution only on the contribution side, and not get something in return.

Mr. KNOWLES: Then do you not defeat the purpose, in the sense that you ask to raise this so as to mitigate the regressive taxation feature?

Mr. MORROW: In this we are on shaky ground, we admit. We think that there could be a scaling out of the upper level so that there is some increase in the contributions over the $5,000, maybe a scaling feature which would provide something. Now, I realize that this is very shaky, and that politically it may have many implications on insurance funds as against a welfare program; but what we are struggling with basically is this low-income group being covered adequately, at least, being covered in some measure of security. This need is our concern. I think I stop there.

Mr. KNOWLES: Since reference has been made to political implications, speaking politically, I would like to see contributions collected a bit higher than the $5,000, to leave the $5,000 as a cut-off figure for the benefit.

Mr. AIKEN: May I ask a supplementary question? This question is in connection with a lower level of contribution of benefits. Would you believe that it would be better to permit the people in the very low levels if it were reduced, and to contribute even a small amount?

Mr. LYONS: I think we fail to understand the philosophy that unless you contribute in a certain way you are not really contributing. This distinction between something which is a matter of welfare and a matter of right is really an artificial distinction. People do contribute to welfare. People who are on welfare contribute to it through taxes. This has to be looked at much more, not on the basis of a token payment, but much more on the ability to pay, and the people on low incomes are not able to pay as much as those on higher incomes. This is why a person having $5,000 or more, who is only going to pay a certain proportion of his income towards this fund, is really in a much better position than the one in the lower bracket, because in effect he is paying a much smaller proportion on his income for social security.

Mr. AIKEN: I am referring to just the question of self respect. Do you think this would be a valuable feature, if the people would contribute a small amount, would they feel that they were contributing something towards the plan, even if not in proportion?

Mr. LYONS: I believe that if people are made to feel by public statements that they are being given a handout their self respect will be damaged. If they are made to feel by public statement that they are in the plan because they are contributing in other ways, then their self respect is not damaged. It is not the actual payment, but how it is regarded that is important.

Mr. AIKEN: In other words, if it is regarded purely as a handout it might damage them. On the other hand, if they feel they are part of the working community and they are entitled to this protection, then it would not?

Mr. LYONS: Nobody I have met among the older people has felt damaged at all by old age security pensions.

Mr. LLOYD: This helps me to conclude some of my questions to you. What you have pointed up in your answers really is that you can only solve this problem if you are going to try to supplement obviously inadequate pensions in existence today for our working people—even where funds are in excess of 30 or 40 per cent of the earnings at retirement, has been the evidence before us. However, as you know, in a wage-related scheme there are various philosophical and valid considerations. You cannot take care of the aged unless you have something like the O.A.S. as well. So, if you always bear in mind that the O.A.S. must continue and be refined, and the resources will become improved along with the wage-related plan, then the significance of the 600 lessens, but the point at which you put the wage-related plan has always to be in relation to the O.A.S. payment—but the point is, as long as you keep both going?

Mr. MORROW: May I say two things in relation to your question? The first is that we believe there is a basic income that people need. This is, I think, a legitimate responsibility of government, at the various levels, to see the basic income is provided. The second thing is that I agree that between social insurance and social assistance there are complementary aspects, and we are anxious that no one gets the impression the social insurance program is going to carry the responsibility that must still be carried, and may be in some cases increasingly carried, by the social assistance programs. This is what we are saying, that these are complementary programs that must be seen together.

Mr. LLOYD: And both are essential?

Mr. MORROW: Yes, that is what we are saying, that both are essential.

Mr. LLOYD: To any comprehensive social welfare program in Canada?

Mr. MORROW: Yes.

Mr. LLOYD: On page 3 of your brief you conclude with the observation:

> ...it provides an opportunity whereby provinces can concentrate on strengthening important social welfare services of non-income nature...

In this respect, are you reflecting the general feeling of your association and, in fact, the community in general—and, as has been observed in the United States, the case loads for the social workers are pretty heavy—are you saying here there is a need in the provincial field to concentrate a great deal of attention to the provision of trained people in doing social case work and to examining the volume of their case loads?

Mr. MORROW: There are a number of aspects of service. The point we are trying to make is that older people have a need for service. At the present time, through the Old Age Assistance program, there is at least an annual visit being made, and it is amazing the kind of things that come out of these. What we are really suggesting is service to people needs to be strengthened in order that they can live more adequately and meet some of their needs. I think Mr. Lyons can support this from his work experience.

Mr. LYONS: There is not any doubt that all of us know that a scheme which has a flat rate of benefits, a computer type of financial support, cannot meet the individual needs of the people in itself. People have health problems; people have housing problems; people's needs vary, and their resources to meet those needs vary; and there must be a full, complementary battery of supporting services to meet these individual needs. The stronger the financial support is the greater chance that the person can purchase these needs and that less will have to be met under welfare. But, as Mr. Morrow says, whether people have money or not, when you are disabled you need the best battery of rehabilitation services to help you to get on your feet, and by taking people and putting them on a disabled persons pension under this scheme, there is no guarantee at all that the person gets the vitally necessary services that are required actually to see whether he can be rehabilitated, in time, to working status or to a maximum level of health.

Mr. LLOYD: Then, in essence, you are saying—what has always been a concern of those who come from the municipal field of government, where we see its operations from day to day with persons, and it has been the subject of considerable comment throughout the United States, and also in Canada—that the more resources, or some reasoned, sound philosophical way you can find the resources, the more effective is the work in the social welfare field that can be done, because, in fact, the social workers are limited in quantities and the case loads have been rising because the work has been cluttered up by the inadequacy of pensions and social assistance programs?

Mr. LYONS: That is correct.

Mr. LLOYD: The more we can make the input on that side, the more effective becomes the social worker—or, I should say, the more effective are the results of your efforts?

Miss FLORENCE PHILPOTT (*Executive Director, Canadian Association of Social Workers*): The point we have been trying to make in this, and the reason we are so supportive of this plan, is that we see reducing the number of persons who will need to get supplementary assistance from old age programs that exist now. Something like 4.7 per cent of the people on Old Age Security are getting a small supplementation under the general assistance program, and something like 20 per cent under the Old Age Assistance get supplementary allowances.

Mr. FRANCIS: And even more are getting health benefits.

Miss PHILPOTT: Yes, we say the more we can reduce the number who have to go to two sources for this kind of support, the more you achieve what you say in the first paragraph of your White Paper, "the more people can look forward to retiring in dignity".

One of our concerns in looking at social welfare and services at the provincial and local levels has been that much of the provincial effort has been directed to assistance programs. We say this at least opens up an opportunity whereby your provincial and municipal groups can strengthen these very important services that can prevent people from becoming dependent and losing self respect.

Mr. LLOYD: The wage-related pension with Government supplement is inadequate from the private sector, and it means, in the long run, your effectiveness will be judged by the number of chronic repeating demands for assistance you find in the social welfare roles of municipalities. This was the American criticism, that social workers, because of inadequacies, were becoming cheque writers instead of getting the family unit back into the earning stream. Now you have that additional inducement to get them back into the earning stream.

Mr. MUNRO: Madam Chairman, I was going to ask the experience that the Canadian Association of Social Workers have had in the general area of private pension plans, whether they have had any studies with respect to them, and if they have any views as a result of those studies.

Mr. MORROW: I would say "No" to this question. We have all individual observations, but we have not made any study of this.

Mr. MUNRO: It is very encouraging to read your brief and to find the general overall support you have given to the Canada Pension Plan. Many of your observations are most helpful. I take it, from reading your brief, you feel that the contributory approach in the plan, with its many benefits that you have indicated, also covers certain problems that cannot be coped with in an earnings-related plan—is that a fair statement?

Mr. MORROW: Yes, this is fair.

Mr. MUNRO: Looking at page 4, the last sentence of the second paragraph, you state:

> Furthermore, it appears that insufficient attention has been given to taking full advantage of the flat rate benefit principle which has proven its worth in our existing Old Age Pension system and integrating this principle with the contributory approach.

Could you enlarge on that thought?

Mr. LYONS: In old age security the idea, the philosophy, was that there would be a minimum flat rate amount which would meet minimum needs. I don't know what proportion of Canada they were realy designed to meet minimum needs in, but let us say minimum needs in most sections of Canada.

On top of that it was to be a wage-related security. When a person has a flat rate of $25, and he is disabled, you hardly have an application of the kind of principle which we are talking about when a person gets old and retires from the labour market because of age.

Therefore, we are pointing out that this amount of money, $25, really bears no relation to a flat rate, as a base. It is the first introduction of this in Canada for this group of people on the basis of insurance. On that basis we welcome it, but we point out that it has no relation to the person's need.

Mr. MUNRO: I think what I am concerned with, and I am very interested to hear your comments, Mr. Lyons is that "insufficient attention has been given to taking full advantage of the flat rate benefit principle which has proven its worth in our existing old age pension system and integrating this principle with the contributory approach".

Are you advocating increases in the flat rate?

Mr. MORROW: In some areas. In supplementary areas. The $25 flat rate on the supplementary benefits is one area.

This is for the disabled and this is one of the points at which we reached this conclusion. The other point on which we have some question is in the reduced payments between 65 and 69 of the old age security, if you elect at 65.

We are raising this as a question and we do not have the information. Your research department will have it. There is a tendency, we think, to early retirement by changing the flat rate payment on this 65-69 age group, we ask whether this precludes a reduction of the age to 69 or 68 for the flat rate payments plus the wage-related payment for the aged.

Mr. MUNRO: Is there any other area in which you feel more attention should be given to the flat rate benefit principle, other than the ones you have mentioned?

Mr. MORROW: These are the ones we would emphasize.

Mr. MUNRO: One concern of your association that you pointed out, and I am sure everyone here feels that concern, is that these people at the poorest level, the poverty level, are left out. Some clauses in your brief seem to indicate the same type of concern that many authors have who, writing on this poverty question, say that much has been done in the United States. It has been pointed out, from a lot of the work done on the poverty question, that the contributory approach in earnings-related plans cannot adequately cope with these people. In fact it just skims over the top and leaves them out.

You have pointed this out also, and I was wondering whether you felt, in dealing with this area of poverty below subsistence level, that some other type of program more specifically aimed at the reasons why these people are a part of this so-called economic underworld would not be more appropriate and beneficial than being specifically concerned about them under a contribution pension scheme.

Miss PHILPOTT: I think we have really made references to this on page 3, where we have clearly indicated that we see limitation to any kind of social insurance plan to deal with the broad problems of poverty and other disabilities in our community. However, I think in our final paragraph we say that you have to look at the whole network to see that this is just one section. We don't expect any one insurance plan to be able to deal with this whole problem of the marginal or substandard or non-income workers in our community.

The point I think we want to emphasize is that we would like to see every social insurance plan reduce to the absolute minimum the number of persons that have to go to two places for their assistance.

Mr. MUNRO: Do you feel that the way this legislation is drafted we have, for all practical purposes, tried to reduce this area to a minimum?

Mr. MORROW: The question we raise—and we use the word "substantial" in our brief—is that there is a substantial group going to two places, and we think that there is something wrong with the program. If it is a relatively small group, and this is what we anticipate, we do not have the information to know at what point the group that we are talking about would become substantial.

I might say that we have one other concern with relation to the poor group, and that is that they have some rights for income which are recognized just as much as the people who are drawing from the contribution scheme. As citizens they have certain minimum rights or expectations, not necessarily from the income-related program, and they must not be made to feel like complete failures and sort of pushed from pillar to post. We recognize that these people have needs to live and must be provided for decently.

Mr. MUNRO: When they retire.

Mr. MORROW: Yes. At the point of retirement, but it must be a program that is dignified just the same as for the people on the wage-related program who have certain rights that they can expect.

Mr. LYONS: Mr. Munro, may I ask you a question? You say "when they retire". You are not suggesting that we don't have to look at the problem long before they retire?

Mr. MUNRO: That is what I was getting at. Talking in terms of this program, in effect, the concern you indicate here, and it is a very valid concern, is for all these people. Presumably, you are referring to the under-$600 exemption level who will not be able to participate in the plan.

It has been pointed out on many occasions that such persons, if they remain under the $600 level all their income-earning lives, on retirement under the old age security will, in terms of dollars of income, be receiving a larger income annually than they were during their lifetime prior to retirement. Because of the very nature of your organization, I thought you might indicate your feelings in this way, because it is certainly the feeling of many here. I am sure that anyone who should fall into such a class where he will always be outside the ambit of this legislation because his income is below $600 is obviously in such a group that a specially designed program is a necessity.

They fall into that group where specially designed programs that do deal with poverty are essential, along with new educational approaches in housing and so on, in order to lift them up out of this area. I advance that as the justification, if you like, for the $600 and I don't find any answer for it other than other specially designed programs; but I don't find any answer for it in any type of earnings-related social security scheme.

Mr. LYONS: This probably is really a reflection of the failure of our society; not their personal failure so much as our failure. And with a broad variety of economic and education and other supports, this problem should be minimized. There is no substitute for these other kinds of wage-related schemes.

Mr. MUNRO: To the degree that those urgent programs are successful they will alleviate the problems of those people?

Mr. LYONS: Yes.

Mr. MUNRO: The only other matter I wanted to touch upon, Madam Chairman, is this area of regressive taxation that was mentioned. As Mr. Lloyd has pointed out, the employer's percentage of the contribution to a degree militates against or alleviates this regressive feature, and I think you agreed with that. I thought that that was an indication that you agreed to what he suggested. I take some comfort in the fact that this regressive feature has been alleviated to a considerable extent when one takes into account not only the employer's

contribution in this whole scheme but the exempt contributions on the $600, and the considerable weighting factor of the old age security when it is considered in conjunction with the Canada Pension Plan. When these three things are looked at as a parcel I think the regressive aspect of the contribution rates of payment under the Canada Pension Plan are to a considerable extent overcome. I wonder if you would care to make any observation on that?

Miss PHILPOTT: May I make a comment on that? It seems to me that this is why we have made such a strong plea for this social audit that will take place with the financial audit, because in looking over the testimony that has been given before this committee from a variety of groups, and at the various reports that have been prepared by the Government with respect to this bill, it seems to me to follow that the effect of this is going to be in several aspects. For example, I think that on more than one occasion it has been stated that the relationship between this program and your present national assistance provisions cannot be determined now, and it will take probably several years before we will see the relationship. I would think that some of the questions that have been raised can only be assessed adequately after there has been an experience. I think we mention that as there is experience we shall see opportunities for eliminating what seem to be limitations in this plan.

Mr. MUNRO: I have one final question, Madam Chairman. Perhaps the subject matter is not too close, but there has been considerable discussion of late of this type of study you are now recommending, all under the heading of "Poverty in Canada". A considerable amount of work has been done on it by the private authorities, and I wondered if the Canadian Association of Social Workers have undertaken any studies themselves of this question?

Mr. MORROW: No, but there are groups that are active on this problem. This whole problem of poverty in Canada is one that we will probably be very active in, either through other organizations or ourselves, in the future because we are just now coming to an understanding of the embedded nature of the problem.

Mr. LYONS: Mr. Munro, may I add to that that when we talk about studying this we are not alone concerned with poverty. When we talk about social welfare we are not talking alone about the poor. We are talking about ourselves. In this society today we need the kind of study which the Hall Commission prepared which incorporated in its conclusions many of the recommendations made by this association.

The whole matter of help and the services that enable people to live healthy, normal lives, is not confined to the matter of poverty. It is confined to most levels of income, and, God forbid, if you are married and you have a child who is mentally ill or mentally disturbed and you look around for adequate resources for treatment you will get a good example, whether you have or have not money, of how poverty stricken we are in this country. The whole network of supporting social services must not be thought of as relating alone to the poor, but as related to our citizens as a whole. This is the kind of study we have in mind.

May I make one other comment regarding the regressive nature. It does not matter how you work the percentages or what the employer contributes. Where we see the regression is in the fact that the person who has a reasonable or comfortable standard of living is better able to pay, and it costs him less. It takes less out of him to get his security than it does a poor person, and no matter how you slice it, that is regressive.

Mr. KNOWLES: Madam Chairman, I wonder if Mr. Lyons would include in the totality of the picture such things as the dislocation caused by automation and other changes—the kind of problem that is raised by Galbraith and others,

who say that we should pay people even though they do not work. In other words, are you thinking of the problem of a guaranteed income for all people?

Mr. LYONS: Yes, sir, those problems are part of the problems that affect all citizens. I cannot speak for the profession on this; I can only give my own personal opinion, but I do not think the profession feels there is now an adequate opportunity for people to be productively employed. Perhaps this is not how we define production, but there are lots of things in this world and in this country that need manpower and service. Perhaps it is a matter of shifting people around and re-educating them, but certainly we should take the constructive perspective of having our citizens engaged constructively in living, and not just having them pensioned off and let out to pasture.

Mr. KNOWLES: This is a problem for the whole of society and not just for the poor?

Mr. LYONS: It most certainly is.

Mr. FRANCIS: Madam Chairman, I was particularly interested in the balanced approach of the brief, which indicates that a comprehensive system of social security must include social assistance—which is the oldest chronologically of these measures—social insurance, and flat rate benefits. It seems that very few of the presentations before us have kept this in focus. Particularly am I impressed with the emphasis on the need for individual case work. We talk about inadequacy or gaps in the programs, and your group, as I would expect, recognizes the need for supplementation and the need for case work related to individual circumstances.

I wanted to correct what possibly might be a misunderstanding on my part—my hearing may not have been too good. The proportion that received supplementation in 1964 is 4.8 per cent of the old age security recipients, but 19 per cent of old age security recipients are receiving supplementation on a means test basis, and that means a little over 100,000 persons.

Mr. MORROW: That is correct.

Mr. FRANCIS: Professor Clark last night made the point that he thought old age assistance should be extended beyond the age of 69. I presume you would agree with that recommendation. Do you feel that in looking at the whole picture that this is one of the gaps?

Mr. MORROW: If I could just intervene here I will say that the needs picture must be individualized, particularly with the aging group where you need special care. In some cases it is actually cheaper to the community to provide assistance beyond basic payments so that people can stay independent.

Mr. FRANCIS: Would you accept this, that the universal flat rate approach may go only so far? There is a certain percentages of cases that economically cannot be handled by any means except by case work and supplementation?

Mr. MORROW: Yes, and provision must be made for those.

Mr. FRANCIS: It seems to me that this is a very significant gap in the presentations before us of some of the other organizations, and one which, quite frankly, surprises me. Mr. Lyons in reply to Mr. Munro said this social insurance is regressive, and no matter how you slice the cake you still have to deal with this. This seems to be a general indictment of social insurance itself. Is this not so, Mr. Lyons?

Mr. LYONS: I do not know whether it is a general indictment of social insurance itself, but I am saying that there is a tendency—there is bound to be a tendency, perhaps—towards this feature, especially when you have a wage-related pension plan.

Mr. FRANCIS: Of which you approve?

Mr. LYONS: Yes, of which we approve. What we are saying is that an effort should be made to mitigate the regressive features of it. We cannot eliminate them, but...

Mr. FRANCIS: You see, the problem we are caught with is this $600 exemption. You say it is not high enough, but if we raise the exemption we cut down our coverage.

Mr. LYONS: No, sir, this is not necessarily so at all. It is quite possible to include people at $600 and assume that they have made contributions between $600 and $800, and begin at $800—in other words, just blanket them in.

Mr. FRANCIS: I would have liked to have seen a specific recommendation if this is what you have in mind, because as I read your presentation it would seem that you are saying that the $600 is not high enough. The way we have drafted our legislation would cut our coverage down. The only other alternative is to come up with the point of blanketing any other categories. Already we have had some interesting suggestions. We had a presentation from Mr. Woods of the Mercer Organization when he proposed that, prior to the announcement of the program in 1966, that prior earnings be blanketed in on a certain flat rate. When he presented the situation, he just reduced benefits significantly. If you think of your program for blanketing in, how you would blanket in, do you have any specific suggestions which you would think would answer the criticism that if you raise this and do not want to cut down coverage how do you blanket in?

Mr. LYONS: We are not presumptuous enough to be able to make any real presentation on this. The resources which are available to you in regard to advice and so on are far more capable of taking care of the specific details. What we can do is deal with principles and if you adopt a principle I am sure you have a marvellous machinery which could produce the organization necessary to deal with it.

Mr. KNOWLES: I have already asked Mr. Osborne to provide information along that line.

Mr. FRANCIS: I think the morals and the tenure of your brief are high and I appreciate it and I am sure it will be helpful to the committee.

Mr. AIKEN: We have been stressing the poor group who would not be included normally under this plan as marginal. I would like to ask some very delicate questions, because we seem to be circling around the real issue involved. If we accept your suggestion that everybody in the lower income should be included, whether or not they contribute, are you then not back in essence to the universal old age security system?

Mr. MORROW: We are not suggesting that everyone necessarily be included in this plan. We are suggesting that, as a part of social security program in Canada, provision must be made for an adequate income security for this group. It is quite a different matter that we are suggesting and I think we should be very clear on this point. We are saying this plan is only one part of a total social security program and this is a group for which this plan is inadequate, but we are not suggesting that they necessarily be blanketed into this plan.

Mr. AIKEN: This is in fact the point I was trying to make, that this plan in fact is inadequate to meet the requirement problems of the poor.

Mr. FRANCIS: That is not what he said.

Mr. AIKEN: Please—

Mr. FRANCIS: I object.

Mr. AIKEN: I am sure he did say that.

Mr. MORROW: I will try to answer the question again, although I think I answered it correctly the first time.

Mr. AIKEN: This is what I understood you to say.

Mr. MORROW: I think you have taken an emphasis that I did not intend. This plan is inadequate for the marginal and the poor, but we are recognizing this as inherent in a social insurance program. We are saying that another provision must be made so that this group that is really not adequately provided for is provided for decently in our total social security program.

Mr. AIKEN: This is what I was getting at. There is a segment of the population which this plan does not cover and it is this particular group we have been talking about, that some other plan will have to be devised for their assistance. Is that correct?

Mr. MORROW: That is correct.

Mr. AIKEN: In this connection, have you any views—it may be a delicate question, but we have been talking around it—about the desirability of making this plan into more of an old age security type of approach.

Mr. MORROW: We did not consider this because this plan has already been drafted and this is a bill which is before the House of Commons. Therefore, in our submission we looked at this on the merits of the bill and we have pointed out where we see the gaps to exist, and our approach has been on this basis.

Mr. AIKEN: So you have accepted the bill as it is presented and are pointing out that these people do not benefit under it or benefit inadequately. I will reserve my further comment for argument at a later stage, as I think the point has been made adequately at the moment.

Mr. BASFORD: I also appreciate the Canadian Association of Social Workers having come before us to give the benefit of their wisdow. I would like to pursue some of the fascinating doors which have been opened, but rather than do so I will ask one specific question. In your brief, at the end, you say in the second last paragraph, you speak of a report on the effectiveness of the plan. I would draw your attention specifically to clause 117 of the bill, dealing with the position and duties of the Canada Pension Plan Advisory Committee. I wonder whether this clause is sufficient for your purpose or whether you would like to suggest changes in it, particularly in subclause 4, as to the duties of the Advisory Committee.

Mr. MORROW: We deliberately phrased our recommendations in the way in which we have. We feel that the advisory committee is responsible to advise the department and the minister on the operation of the program, and that the matter of a social audit or a five-year review is a different kind of function. We made no specific suggestion, as I said earlier, as to how this five-year review might be carried out. We see two different kinds of job. The advisory committee is an on-going committee that gives advice on the operation of the plan as it is. They may point out to the minister weaknesses in the service. On the other hand, what we suggest is a social audit which would be presented to Parliament in the form of a statement or a stocktaking as to how it is meeting its social purpose. We feel that five years is the minimum basis on which any reasonable assessment can be made.

Mr. BASFORD: I am wondering at the wording of the bill which, amongst other things, is to consider "the adequacy of coverage and benefits under this act". Surely this would constitute a review as to whether it is adequate.

Mr. MORROW: Adequacy cuts two ways.

Mr. LYONS: There is adequacy of the benefits and coverage, but a social audit has a little broader perspective and asks how does it really fit into the general framework of Canadians. Our suggestion is to review how it fits into the larger picture, not just within the confines of the wording of the bill, not

in terms of benefits and the number of people covered, but rather, does it serve the social purpose. You will notice that the Canada Pension Plan White Paper said:

> All Canadians will be able to look forward to retiring in security and with dignity.

That is quite an objective and we know already that the C.P.P. does not provide this for all Canadians. Our stress has been upon the other features that are necessary, the other kinds of social security that are necessary. We indicate that this must be looked at as part of a broader picture. When we talk about social audit, wet alk about it not just within the confines of the act but its general purpose within society.

Mr. BASFORD: You are not prepared to say quite specifically how this can be done?

Mr. LYONS: It is quite evident that a body would have to be set up to do this. A committee which is interested mainly in the financial audit is not necessarily to be assumed as competent to do the social audit. Whether the committee should be reconstituted to do both jobs or whether a new committee should be set up, we think that the members are just as able as we are to make recommendations on that point. We do not have a preference so long as the objective is attained.

Mr. MORROW: We see three alternatives to this proposal. One is a committee such as this, one is the advisory committee, one is a panel of experts. There are merits and faults in each of the proposals and we go no further than recognizing there are three ways in which this can be done.

Mr. BASFORD: One alternative, as I understand it, if I may use the word, is "to beef up" the advisory committee and more carefully instruct it as to what should be done.

Mr. MORROW: That is one possibility.

Miss PHILPOTT: While we are on that point, in regard to the composition of the advisory committee, which is to include employers, employees and the public, we would assume that the public you are talking about would include people with special competence and experience in conducting social audits.

Mr. BASFORD: Thank you.

Hon. Mr. DENIS: Do you speak French?

Mr. MORROW: Unfortunately, no. I am sorry.

Hon. Mr. DENIS: I would like to ask a few questions in English. I would like to know if most of your members are working without any salary, or on what basis?

Mr. MORROW: We are a professionally employed group and our members are working all across the country. Your deputy minister is one of our members, and we are found everywhere.

Hon. Mr. DENIS: At the commencement of your brief you say you have a membership of approximately 3,000 members. Are they all social workers?

Mr. MORROW: Yes, they are all professional social workers, and our membership, our people, all have university training at a school of social work and are professionally employed somewhere in Canada.

Hon. Mr. DENIS: And presumably your work is mostly welfare for those in need?

Mr. MORROW: Yes.

Hon. Mr. DENIS: I take note that your brief says, on page 3:

> The legislation appears to be reasonably satisfactory as a retirement plan for perhaps three quarters of the working population.

So do you agree with me that a situation which is good for three quarters of the population is a very good situation?

Mr. MORROW: Yes, we are positive it is, towards this program for the group that it is going to serve.

Hon. Mr. DENIS: It leaves only 25 per cent of the population which is not covered?

Mr. MORROW: Yes. We will say there is a substantial group that is not adequately provided for.

Hon. Mr. DENIS: About 25 per cent?

Mr. MORROW: Yes.

Hon. Mr. DENIS: And you will agree with me that that 25 per cent will be partly covered by this piece of legislation if you come to the conclusion that those 25 per cent of the population not covered by this particular bill is partly covered by the old age security plan?

Mr. MORROW: Mr. Lyons would like to reply.

Mr. LYONS: I like your word "partly." When you say "partly covered" we could agree with you.

Hon. Mr. DENIS: Yes.

Mr. LYONS: Our concern is that when this deals with the widows and the disabled, there is a whole group of need there amongst those people which is not met by this plan as well.

Hon. Mr. DENIS: Then if I understand well, by this piece of legislation three quarters of the population is well covered and the other 25 per cent is partly covered. So all that is left is the part of those who are partly covered. There is social security legislation in Canada for family allowances, pensions for the blind, and then measures for disability pensions, workmen's compensation, unemployment insurance, needy widows, and the like. So that it does not mean that this piece of legislation is all that the federal government has decided to do; it might do something else in later years. However, at the start of your remarks, Mr. Morrow, you said that it was one slice of a pie. Would you add a couple of slices? There is only one slice, and the rest has not been touched yet.

Mr. MORROW: There are other pieces in this pie, but this does not complete the pie by any stretch of the imagination.

Hon. Mr. DENIS: If you are professional workers, after this piece of legislation is passed, if it is passed, you will have less work to do and do you suggest that the government should get advice, information and the like? Do you think you could do your part in that suggestion of yours that your association might be looked to to give advice and information to the ppulation of Canada, as far as this piece of legislation is concerned?

Mr. MORROW: Well, I think that we need to be clear. We are an employed group. All of our members work for somebody.

Hon. Mr. DENIS: Yes.

Mr. MORROW: And so far as giving advice and counselling, and so on, we hope that in large part, if funds are made available to provide this kind of service, that members of our association will be employed in the appropriate places to carry out this type of job.

Mr. LYONS: There are really two aspects, one of which we are competent to do, and one which we are not. We are not competent or specially trained to represent a person in the legal and technical aspects of this plan. People are going to seek advice under this plan and they are going to bring along with them a generalized problem. We do think that anybody who is counselling a

client and acting on their behalf should be astute enough to recognize that there are other problems concerning the Canada Pension Plan, or any decision about it, that they cannot solve for themselves, that they would be referred to an appropriate service for their particular problem. I do not agree that we are going to have less work at all. I can see that our work can be more productive if we have less inhibitions, not that we will have less work.

Hon. Mr. DENIS: I think it is a very good suggestion that people should be aware of this new piece of legislation, and I think that the government when this piece of legislation would be in operation, if it is passed—that in different parts of Canada there will be officers who will be most happy to give all the information.

Now for the last question. Did you suggest that there should not be any exemption up to $600?

Mr. MORROW: No, we did not suggest that.

Hon. Mr. DENIS: That is all, thank you very much.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any more questions from the members? If not, on behalf of the committee I wish to thank Mr. Morrow, Miss Philpott and Mr. Lyons for preparing this brief and appearing before us, and giving us such a clear understanding of the matter contained in the brief and also for your excellent answers to the questions put by members of the committee.

I am sure the things you have told us and the ideas you have suggested will be weighed very carefully by this committee when it is coming to its decisions, and we thank you.

Mr. MUNRO: Madam Chairman, I would like to make a motion along the lines that you have mentioned. Before doing so, may I say that one of the reasons for the excellent brief is that Miss Philpott had something to do with it. I have learned that she is the daughter of the original founder, the first pastor of Philpott's Tabernacle, in Hamilton.

I am sure I speak on behalf of all the committee in expressing gratitude, as the Chairman has done, for the excellent brief, and the help these representatives have given us.

Mr. LLOYD: Madam Chairman, I am happy to second the motion. May I make a brief observation? Since I have been here for only a short time, I have an increasing awareness that in government measures there is a constant reconciling of a wide range of conflicting interests and concerns. I think your brief, coming at this time helps us to put into proper perspective our responsibility in the social welfare field, with due regard to the economics of our time, and consonant with the technological changes, and the like; and I am deeply grateful.

—Motion carried.

The CHAIRMAN (*Hon. Mrs. Fergusson*): As I said at the beginning of the meeting, Dr. Clark has kindly consented to appear before us this morning to conclude his evidence. Will you please come forward, Dr. Clark?

Mr. LLOYD: Madam Chairman, before Dr. Clark proceeds and the questioning commences, I would like to make a brief observation arising from my questioning last evening.

The CHAIRMAN (*Hon. Mrs. Fergusson*): All right, Mr. Lloyd.

Mr. LLOYD: In attempting to summarize the brief, Dr. Clark had made certain statements with relation to the net worth of self-employed people. I misunderstood his application of the term, and this led to misunderstanding on my part. I must say that on re-reading his brief in this sector he, with some clarity, pointed to a problem with respect to the investment portion of income, and was in effect trying in a constructive way to suggest a method of making allowance for the investment portion of income of self-employed people.

I had the opportunity of discussing it with him this morning, and we both agree, I think, Dr. Clark, it is not an easy thing to resolve, but that the investment element is there. Maybe the staff have come up with a reasonable answer but, nevertheless, I do appreciate the fact more fully now. What you were attempting to do was to draw attention to the investment element of self-employed people in the way of income.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Dr. Clark, I am sure all members of the committee are very pleased you are able to conclude your evidence this morning. As you know, I suppose from reading other reports of our proceedings, the witnesses before this committee have given a concise summary of their briefs and have answered questions regarding them. If you wish to add to your statement to the committee, I suggest you limit your concluding remarks to not more than 10 minutes, which will give the committee an opportunity to ask questions.

Dr. ROBERT M. CLARK, *University of British Columbia:* Madam Chairman. I believe I can show that degree of restraint.

Thinking over the remarks I made last night, I wanted to come back just for a moment to this suggestion on how one would compute the income of the self-employed. This is in clause 10 of the bill I had suggested two possible ways of doing it. I had suggested allowing a return on their capital. I think two additional comments need to be made. When I was talking about their net worth or capital, I was talking about the book value and not the market value, because I did not think it was feasible to have the market value taken. Assuming a man has an income of $4,000 and a varying amount of capital, if he has no capital he is not affected, but if he has capital of $5,000 his contributions would drop from $122.40 a year to $111.60; in other words, $10.80 for every $5,000 of working capital. The point would be reached where at capital of $56,667 he would make no contribution to the program, though he had a net income of $4,000. If he had a higher income, he could have a higher amount of capital and still not contribute. I mentioned an alternative way of doing this was to assume some fraction would be taken off that income, possibly the same fraction for all self-employed people, possibly not. But, on this alternative, no matter how large the amount of capital, a person would not be excluded from making a contribution. These are two different ways of trying to put the self-employed and employees on the same basis.

I had reached the end of my comments on the sections of the bill. I wanted to refer very quickly to the matter of the different impact of the program on different types of industry. I attempted to do this in two ways. I said this was not in the least way a criticism of the bill. First of all, by taking labour costs as a per cent of sales—and this is shown in the first chart, which is not numbered by page, but the one appearing after page 25, and it shows a substantial difference there. The second chart attempts to show just how much range there is within a category such as service, manufacturing or the like. I think it is quite clear then that even although the coverage of this will include a very high proportion of the labour force, the initial impact will be significantly different from industry to industry, and even within broad categories of industry.

Lastly, on the relationship between Old Age Security, Old Age Assistance, and the Canada Pension Plan, it seems to me that the majority of persons aged 65 to 69 not working will take their Old Age Security at an actuarially reduced rate, even without pressure from provincial governments to do so. In these circumstances, it seems to me desirable that Old Age Assistance should be payable, as it is in the United States, without any upward age limit at all. An alternative way of doing the same thing is to have a broad category called assistance in which you do not necessarily call it Old Age Assistance at all.

The entirely separate financing of Old Age Security and the Canada Pension Plan makes it far more difficult for the public and legislators alike to

understand what is the combined cost impact, not only in total dollars but in terms of dollars per individual family. It seems to me that the chief actuary in making his studies, which he is required to do under the bill, should be required also, not only at the start but in considering future amendments to benefits, to show the combined cost with Old Age Security put on a common denominator, so that one can see exactly what is involved. It is also important if we realize that in 1975 contributions as well as benefits for Old Age Security will be very much greater than corresponding contributions and benefits of the Canada Pension Plan. It would also seem to me—and I have not included this in the brief—that it would be useful for the advisory committee—and I would suggest it would be appropriate to amend the bill in this respect—to have to consider not only the Canada Pension Plan, but also Old Age Security. They are so related that it seems to me when the committee is considering the one it should consider the other as well. The chief actuary should be required to provide estimates to Parliament not only when the Canada Pension Plan is being amended but also when the Old Age Security is being amended.

I do regret very much that Old Age Security and the Canada Pension Plan are financed on a different basis. It would certainly be much more preferable if the same basis, perhaps with some modifications, could be used to finance both. Thank you very much, Madam Chairman. Now I am prepared to attempt to answer any questions that might be asked.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much, Dr. Clark. Mr. Aiken has indicated he would like to ask you some questions.

Mr. AIKEN: Dr. Clark, Mr. Anderson, who was one of our previous witnesses, indicated he would like to see two separate funds for the Canada Pension Plan, one for the pensioners themselves and one for related benefits. This is a question that also came up in connection with another witness who felt that the two should be separated for the purposes of administration. Have you any remarks or comments to make on this proposition?

Dr. CLARK: With reluctance, I find myself disagreeing with my favourite genius, Mr. Anderson. His analysis starts off with what he terms 'high grading" and deals with the question of "windfalls." These windfalls are going to be provided for individuals under the plan, whether they come from the employer's contribution or from the employee's. This does not affect the substance. As he himself said, it is a question of form, not of substance. I prefer to see these together in Canada, because I think it highly desirable to retain a parity of contributions, substantially, between employers and employees. The effect of his proposal would be that the proportion of the plan to be financed, in the first instance, by employers, would progressively rise until it was about twice that of the levy on employees. As a general proposition, from my philosophy of public finance, I prefer taxation to be levied on people where they can see it, rather than to be concealed in the prices of products they buy. Therefore, it seems to me to be no advantage, in fact a positive disadvantage, to go at it in this way. There are certain advantages to his proposals, but, on balance, I prefer to keep it together, as is done in the United Kingdom, for instance, and the United States.

Mr. CANTELON: I suppose this would be part of the reason why in clause 1(10) you suggest the program be required to be self-supporting?

Dr. CLARK: Wes, Mr. Cantelon. I said last night I think there is a real political risk, if you like, that, because so much of the burden for providing increased pensions can be passed on to future generations, in the sense they will have to pay higher rates for the same level of benefits, this part of welfare may be over-expanded in relation to other parts. The requirement that the program be made self-supporting helps ensure this would not happen. Also psychologically it has a great deal to commend it from the viewpoint of people

contributing to it, to feel it is a program that Canadian people are carrying for themselves, through direct contributions.

Mr. CANTELON: You are not, however, opposed to the idea of part of the plan, shall I say, subsidizing—I do not like that word—providing "windfalls" for another part to cover it?

Dr. CLARK: This really comes under two parts. Any social insurance plan involves some internal or cross-subsidies. I certainly do not object to those in principle, for instance they all have subsidies from the single to the married person. This is common to all social insurance programs that I know of. I think this is reasonable. I am objecting to the extent of the internal subsidies here which go in dollar terms to those earning $5,000 and up as compared with others.

Mr. AIKEN: Madam Chairman, I have another question on another matter.

The CHAIRMAN (*Hon. Mrs. Fergusson*): All right, Mr. Aiken.

Mr. AIKEN: Mr. Myers from the U.S. social security, O.A.S.D.I., I suppose I should say, was before the committee and he suggested that as a result of the coming into force of the O.A.S.D.I. some years ago in 1937 that the sale of private pension plans in the United States increased.

Are you able to tell us whether, having studied both plans, this would have a similar effect in Canada as a result of bringing in the Canada Pension Plan?

Dr. CLARK: I believe, Mr. Aiken, from reading the evidence that was presented, that Mr. Myers did not make the statement you have referred to. Rather he said that he thought the proportion of employees covered under private pension plans in the United States would be about the same as the proporion in Canada.

Now, we don't have precise statistics for all of the country on this, but in fact what evidence we have says that for the United States it is between 30 and 33 per cent and for Canada it seems quite clear it is appreciably higher; how much higher we don't know.

We do have these facts. The Dominion Bureau of Statistics brought out a study in 1960 and that showed 4,520 plans in Ontario alone and about 9,000 in the country as a whole. They were not able to get data on every pension plan. The Pension Commission which was set up under Ontario legislation had already recorded 7,518 plans in Ontario alone as of April, 1964. Now, that represented a 67 per cent increase in number of plans since 1960 but I don't think the actual increase was that much. I think that the original survey did not perhaps get all the information still it was a very substantial increase. If we look at the statistics of the Dominion Bureau of Statistics for the years 1960 to 1963, they show an increase of 34 percent in the number of plans and employer pensions. The number of employees covered by these plans increased 19 per cent while the civil labour force was growing by 5 per cent.

Now, in Ontario 44 per cent of paid employees are covered according to the statement of last April. I would not think it was quite as high for the rest of the country, but probably they are not greatly behind. You might think that for the country as a whole, I suppose, it would be perhaps of the order of 40 per cent as compared with 44 per cent in Ontario, and this is compared with the 30 to 33⅓ in the United States.

Mr. AIKEN: Would you think this rather noticeable increase had something to do with the increase in discussions of pensions arising from the Ontario legislation for portable pensions and discussions of a general Canadian pension plan?

Dr. CLARK: I think yes.

Mr. AIKEN: Thank you.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Have you finished, Mr. Aiken?

Mr. AIKEN: Yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Francis.

Mr. FRANCIS: Madam Chairman, this morning Professor Clark said, if I understood him correctly, that he would like to see both the Canada Pension Plan and the old age security financed on the same basis. Which would he prefer to see, the present basis of the old age security or the proposed basis of the Canada Pension Plan of the bill before us?

Mr. KNOWLES: Or something else.

Mr. FRANCIS: Yes, or something else, Professor Clark.

Dr. CLARK: I have never liked the basis for financing old age security, Mr. Francis. It has always seemed to me illogical. I see no justification for having a corporation income tax to finance part of it. The effect of this is that there is a substantial proportion of employers who are either corporations which lose money, or are not corporations, and make no direct contributions in any way. The proportion of corporations losing money each year has been over 40 per cent according to Taxation Statistics for a few years.

Now, if employers have an obligation to contribute toward the support of employees in retirement, surely this is an obligation which rests on all employers and not just on those who are (a) corporations and (b) making a profit.

Therefore, I prefer in principle the levy which is in the Canada Pension Plan as far as employers are concerned. As far as the sales tax is concerned, and the personal income tax, I would prefer actually it if a basis such as we now have in Bill C-136 was used to finance both. If you were doing this, it might very well be that you would want to change the exemptions. I am not just sure how you would adjust the rates.

I think there is a fundamental difficulty in doing this, and that is that the Quebec Government has its own plan and its own way of raising revenue. This seems to me a major obstacle to get the two programs financed on the same basis, unless the Federal Government were prepared to say to the Government of Quebec: "You pay the Old Age Security pension as well." And I can well understand why the Federal Government would not want to take that position.

This is what creates some of the difficulties in dealing with this.

Mr. FRANCIS: I am not sure, Professor Clark, but I think we all understand some of the problems. However, I gather you feel that the present proposed financing, generally speaking, of the Canada Pension Plan is good. You approve it in so far as you feel you can. Your criticism is more directed to the financing of old age security than to the proposals of the Canada Pension Plan. Is that a fair summary?

Dr. CLARK: Yes, that is entirely fair. If I might just add one comment that I had meant to make earlier, and it is really not in relation to your question. In terms of amending the Old Age Security for the future, I think that there is a very strong case, when this is increased, for not giving double the increase to the married couple that is given to the single person.

I pointed out in an article a few years ago that in an analysis of some 26 countries there is only one other country—and these 26 are countries in the western world with which we commonly make comparisons—where the husband and wife get double the pension of the single person. In most countries the additional pension, when you have two, is between 45 and 65 per cent of the single person's benefit.

Now, while two, of course, cannot live as cheaply as one—the song-writers notwithstanding—the cost is not twice as great. I realize that the

only feasible time to make such a change is when a pension is being increased, but this problem was faced in Great Britain, by the Labour Party as a matter of fact, and was met without substantial difficulty. But this would certainly, I think, do a good deal in places where the cost of living is relatively high. It would be of more help to the individual who is alone.

Mr. FRANCIS: Professor Clark, at the risk of being a little repetitive, which I hope I am not, I have been reading through your brief and I note that on page 5 the following statement is made as a general principle:

> The distribution of the cost of pensions under a government pension program should be as equitable as possible between successive generations.

This principle would suggest to me that the fairly high degree of funding in the plan is the logical extension and development of this principle. Yet, I gather that on the whole you do not think there should be any more extensive funding than is proposed in the Canada Pension Plan. Is that right?

Dr. CLARK: I made no comment about the extending of funding at all, Mr. Francis, in putting forth the first preliminary part of my brief. In the alternative I had in mind this would simply be a modification of Old Age Security which would not require any more funding than making the program self-sufficient. You may recall it was the original intention in putting through Old Age Security to earmark the separate taxes so that the program, as Mr. Abbott said, would be self-supporting. My view is that that program should be self-supporting just as I think the Canada Pension Plan should be self-supporting.

Mr. FRANCIS: Do you mean self-supporting on a pay-as-you-go basis?

Dr. CLARK: Self-supporting without contributions from the general revenue to pull the program out of trouble when it is short of funds.

Mr. FRANCIS: On a pay-as-you-go basis?

Dr. CLARK: For the type of Old Age Security program with graduated payments by age, yes. You would not need to build up more than what you might call a contingency reserve.

Mr. FRANCIS: But to the extent that you advocate, it should be as equitable as possible as between successive generations? The two are contradictory to an extent?

Dr. CLARK: I think there is a difference between providing for graduated benefits in this respect, and providing flat benefits, or benefits graduated by age. If you think of a program with benefits that are either flat or graduated by age along the lines I have suggested, then this is stable in the sense that it would take approximately the same percentage of earnings, or whatever other yardstick you use, to finance the program decade after decade as far as you can see into the future, with possible slight changes as life expectancy increases, the latter would add somewhat to the cost of benefits. Now, on the other hand, where you have a program in which the benefits are graduated in relation to age, and you put in indexing such as there is here you would expect—and I think the actuary's report bears this out—that the rate of contributions has to rise over a period of time in order to pay for the benefits. The result is that a current generation of beneficiaries will receive benefits at a lower cost than it would take to provide identical benefits for subsequent generations.

Mr. FRANCIS: It seems to me that the choice before us is either stability of rates for a projected period, in which case we must fund certainly during the period of maturity, or go on a pay-as-you-go basis, in which case the rates will change. This is our choice, is it not?

Dr. CLARK: In an earnings-related program, yes, I would say that is true, although there are different degrees of funding. Nobody has advocated full funding, but—

Mr. FRANCIS: Do you approve in general of the proposed funding arrangements in the bill before us?

Dr. CLARK: I think I do, in this sense that I do not feel that the reserves are going to be excessively large, and will not create any serious problems in the first 20 years. I am concerned that the program be maintained as self-supporting thereafter, and I would like to see a degree of funding whereby interest earnings on the fund would provide something of the order of 10 per cent of the revenues. Now, that has to be compared with the figure under the present American program, as Mr. Myers said in his evidence, of about 15 per cent as to what will ultimately happen. This compares with about 5 to 6 per cent if the advice of the recent Advisory Council is accepted. So, I am saying something of the order of about 10 per cent would be my preference in the long run.

Mr. FRANCIS: Thank you. I have one last question which is a general kind, and one that I have put to many witnesses. Do you not agree that in Canada there will always be—I think you have a paragraph in your brief dealing with it—a requirement for individual case work and services and supplementation based upon individual circumstances? This is the general role that has been traditionally assigned to social assistance, but there is a limit in terms of how far any country can provide adequate benefits on an integrated package on flat rate universal benefits and social insurance without having social assistance.

Dr. CLARK: In the general bland way in which you put that question, Mr. Francis, I am happy to agree.

Mr. FRANCIS: Well, I would like to get beyond the bland statement, Professor Clark, because I do think our responsbiility here is to be satisfied. I am not being facetious. I feel that the presentations before us have failed to recognize this fact. I do not think any country can escape the need for good welfare services and supplementation based upon case work.

Dr. CLARK: I think it would be a very reactionary step, in my judgment, if we reach the point where we say that we have to do away with programs that are based on need. There will always be a place for these programs for people who, for one reason or another, do not qualify for benefits under other types of legislation. I fully agree with that.

Mr. AIKEN: I have a supplementary question, Dr. Clark. This is not one of such programs that are based on need?

Dr. CLARK: That is correct.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Knowles?

Mr. KNOWLES: Professor Clark, despite Mr. Francis' questions and your answers to them, I think I would like to ask a question in the same field, the only difference being that I am speaking to the question of inter-generation subsidization without being involved in the question of funding. If I interpret your position correctly, one of the things that makes you unhappy about the Canada Pension Plan is that it is based on the principle of inter-generation subsidization, but is it not a fact that Old Age Security does precisely that? Is it not a case of where we, who are workers today, are providing the main portion of the pensions that those on old age security are now receiving? I say "the main portion" because they through their sales tax payments are providing some as well. Is it not also a fact that when we reach old age the generation of workers of that day will pay the main portion of our old age security pensions?

Dr. CLARK: There are two points here, Mr. Knowles. The first is, as you have accurately stated it, that if you think of the resources used to pay for food, clothing, and so on, these are provided very largely for those who have ceased to work by those who are still working. That is one point.

Now, there is another point, and that is whether or not we ask successive generations to pay the same amount for the same benefit. What we are doing in the Canada Pension Plan is saying to future generations: "You must put up a higher proportion of the cost because the earlier generation did not put up enough. You must pay a higher proportion than you would otherwise". In order to prevent anything of this sort, as Mr. Francis has correctly said, the logical implication is that you would have to fund on a level premium basis so that each generation, if you like, is paying the same amount for the same benefits that would be inherent in any earnings-related plan. It is not inherent if you have benefits that are not graduated in relation to earnings. It is true, for example, in relation to Old Age Security, or if you graduate it according to age, as I suggested, with the exception of the point that I mentioned, that as life expectancies gradually increase this imposes a somewhat greater burden of greater cost on the future generations, but no one objects to that.

Mr. KNOWLES: But, Dr. Clark, has not society been graduating the Old Age Security? We are paying $75 today as opposed to the $40 we were paying when it first started. We are paying 4 per cent of personal income tax today with a ceiling to which I object, instead of 2 per cent when it started. Is not this generation that is now paying, paying more than the people who are now 65 were paying when it started and when they were looking towards their participation in the plant? I do not want to press it too far.

Dr. CLARK: Let me say this. If we have a flat pension of $75, or any other flat amount, the type of financing we have now will tend to carry on in perpetuity without an increase in the rate of contributions in any given number of years.

Mr. KNOWLES: Surely, this is a postulate that you would not support. There would be no constancy in that rate.

Dr. CLARK: I am not advocating this. I am merely mentioning the mathematics of the situation. If you have a flat benefit then in order to finance any given sum of dollars you do not have to go on raising your rates of sales tax, personal income tax and corporation income tax as time goes on. Indeed, it could happen that, depending on the numbers of beneficiaries and contributors, you might conceivably need somewhat lower rates of taxes. That is entirely different from the point you have made. Of course if you raise the benefit, you have to raise the contributions in order to pay for it.

Mr. KNOWLES: Dr. Clark, I would like to ask you a question about the two-volume book known as the Clark Report. It would be less than honest of me to ask what your recommendations were in that report, because I know that it did not contain recommendations—precisely because the Government which set you to work on it did not ask you for recommendations. Is it not fair of me to ask if you do not in that report refer favourably to the idea of the Government to which you are making the report having a two-stage plan, having a plan partly flat rate benefit and partly contributor based on income?

Dr. CLARK: Let me also be candid, Mr. Knowles. When I started on that assignment I did not have an opinion one way or the other. In a typically academic fashion, I set out to present both sides of the case as best I could. I was not trying to tip the scales either way. I was—and this was in the terms of reference—to set out arguments for and against as best I could, and I was not endeavouring to go beyond that.

When I came to present my own recommendations, which I did in 1961 in this volume which I edited, "Canadian Issues, Essays in Honour of Henry F. Angus", the position which I took at that time was not in favour of an earning-related program, this was because essentially I felt that other needs were more urgent, such as raising flat benefits, introducing survivors benefits and a number of other things. I had not at that time thought of relating the benefits to age.

Mr. KNOWLES: In this same general area, I wonder if you would not agree —obviously you do, I know you do—that there is a case for a reasonably adequate flat rate benefit in the field of old age. I know you agree thus far?

Dr. CLARK: I do agree.

Mr. KNOWLES: Would you not also agree that the people of a country like Canada, on the basis that there is room for something more on top of a flat rate, have the right to the benefit of the insurance principle; and that if private insurance companies and private employers have not been able to make this right real to the great mass of the people, it is a social responsibility of the Government to make this right available? Does that not strengthen the case for the two-stage kind of plan which accords a flat rate benefit plus a social insurance scheme?

Dr. CLARK: This bill is certainly one of the ways in which two-stage pension legislation can be implemented. There is no doubt about that. I had favoured another approach, the use of the type of approach in the original Ontario act, the idea of saying to employers "You must introduce this and provide for employees", with provision for sharing the cost. I also would have relied on a Government program of the type I have been describing in my brief. As I just said, apart from this I would have relied on the use of compulsory employee pension plans, as is done in Finland under their current legislation.

Mr. KNOWLES: Actually, Dr. Clark, you have revived in my mind a question which I had in my notes which, in view of your earlier answer about your own report, I decided to cross out. It seems to me that we are getting a little different emphasis this morning from that which we got last night and I welcome that different emphasis. It may be that I misinterpreted. I thought last night you were all on the side of a flat rate benefit only and that you were opposed to the two-stage kind of plan. You have admitted that there is a favourable reference to this in the Clark Report, and you have admitted now that in the Ontario Government you have participated in drafting legislation to compel this from private employers. Is that not another way of saying that it is a responsibility of government to see to it that our citizens get the benefit of both of these arrangements, both the flat rate and the insurance principle?

Dr. CLARK: I did not refer to the Ontario type of legislation last night, simply because it did not come up at any point in the questioning. The answer to that since there was a desire for graduated benefits as well as for flat ones, what is the best way of attaining it? I think that the state has the right to act in this sphere—the right, certainly, to act, either as is done in the Canadian Pension Plan or as was contemplated in the original Ontario legislation.

Mr. KNOWLES: In other words, it is fair to take from your evidence this morning that the job of this committee is to proceed from the point that we have reached, namely, agreement on principles, but to try to improve the provision of the Canada Pension Plan and try to improve the taxation arrangements of old age security?

Dr. CLARK: I would not go so far as to suggest what I think is the job of this committee, but certainly you have pointed to two spheres in which it would be natural they would take an interest.

Mr. KNOWLES: On page 3 of your brief, at the end of paragraph 9, you say:

> I do not believe that the state should widen these differences in income after retirement by relating benefits to prior earnings, as is done in the Canada Pension Plan.

This is similar to arguments that we have had from other witnesses, to the effect that we are doing more for the wealthy than we are for the poor.

I have been struck with appreciation of all those who have argued that we should not forget those who are not wealthy, those that this plan does not deal with. However, from my study of the figures, I do confess to a little impatience with the continued assertion that we are widening the difference.

I would like to put a few figures before you and ask you to comment on them. I have taken simple figures that divide easily. I am assuming single persons rather than complicate matters. A man who is earning $1,000 in his working life, let us say up to age 70, would draw from the C.P.P. and O.A.S. a total of $1,150—$900 O.A.S. and $250 C.P.P.

A man who is earning $5,000 in his working life would get $900 in O.A.S. and $1,250 in C.P.P., or a total of $2,150.

In other words, the two men in their working lives had a spread between them of $4,000, from $1,000 to $5,000. Under this plan, in their retirement, one man would have $1,150 and the other man would have $2,150, a spread of only $1,000. In other words, so far as Government action is concerned, the working year spread of $4,000 is reduced to $1,000.

If you go into the upper reaches and take one of those insurance companies presidents we had here on $100,000, his benefit from the two plans is the same figure, $2,150. In other words, it seems to me that this plan does the very opposite of what you ask or comment on in paragraph 9, that instead of widening the differences it narrows them by bringing up to some extent the retirement income of those in the lower brackets.

I do not for one moment defend what we are doing for those in the lower income group as being enough. I am reminded of the Canadian Welfare Council statement to us the other morning that 15 per cent of one man's income may not be adequate, that you cannot live on percentages. For the moment, I am dealing with the contention that this legislation widens the differences after retirement. I would like you to comment on my figures and suggest that Government legislation does the very opposite.

Dr. CLARK: This $1,250, I take it, as you know, is the maximum benefit.

Mr. KNOWLES: I am taking the maximum benefit of $1,250. I am excluding wives and escalation and all the rest, in order to make it simple.

Dr. CLARK: In the evidence that was presented talking about the differences for a person with no earnings from those of higher earnings, two points, I think, are made. One, if you take the dollar contribution that a person makes to the plan in relation to what he gets out of the plan. The dollar subsidy to the $5,000 man is substantially greater in dollars than for the man earning at the low end of the scale. In some of the examples I have seen it is of the order of about two to one. This is a fact, I think, and you have not disagreed with me.

The second comparison is, I think, as between a flat benefit. If you take your particular example, supposing instead of having earnings-related benefits, you simply increase the $900 or graduate it according to age, there would be no difference between the $1,000 and the $5,000 man. As soon as you introduce a measure of graduation, then you have the difference between the $250

and the $1,250 man. Now, it is true that that is a lesser difference than the difference in their salaries.

Mr. KNOWLES: But pardon my interrupting, Dr. Clark. In your brief you state:

> It follows that the differences in spending levels available from private resources after retirement will tend to be relatively greater than the differences which prevailed during the working years of those individuals.

Now, your statement was that you did not think that the differences between the working years should be widened afterwards by state action.

Dr. CLARK: You really have two statements, and both of them are correct. One is your statement showing the comparison between the $250 and the $1,250 as compared with the $1,000 and the $5,000, and the other statement which I have made, which I think is also correct, which really in effect compares the $250 and the $1,250.

Mr. KNOWLES: I do not want to reopen last night's discussion, but you are still talking just in terms of Old Age Security at $900. Perhaps I should not have asked that, because I am taking you away from the other point that I felt you should have come to grips with, namely, that it is not really fair to say of this plan that it widens the gap. I wish there were greater equality, I wish there were greater equality achieved in the working years. I do not like these facts, and nobody on the committee I am sure likes people to be on $900 or $600 a year, but as regards this plan, there are these charges that it widens the gap.

Dr. CLARK: It widens differences as compared with any system of flat rate benefits or benefits which are graduated according to age.

Mr. KNOWLES: You are now saying it widens the difference compared with something that is not before us.

Dr. CLARK: In the form of a bill, that is perfectly true.

Mr. KNOWLES: We of the committee have had a bill referred to us, a bill that provides a two stage benefit, and we have to report this bill back to the house. If you take the testimony of some people that have been before us, I felt your testimony last night was different from this morning. If we reported back that the bill be rejected because it has the wrong principle we would be pretty irresponsible if we did not recommend something in its place. I feel you have not done so. But to say that it widens the differences compared with differences that would not exist if we paid an old age security benefit of $150 or $200 a month is being hypothetical. What we have to face is the actual bill that is before us.

Dr. CLARK: I am quite aware that since the bill carried on second reading without a dissenting voice, the practical alternatives which you would consider must deal with amendments to the bill, and this is within the philosophy of the bill. That is why I devoted well over 80 per cent, or perhaps 90 per cent, of my brief in considering suggestions for changing within the philosophy of the bill.

Mr. KNOWLES: I know, Dr. Clark, it has been said by members of this committee that we cannot make many changes in it. I am afraid myself that because of the federal-provincial agreements involved in it we cannot make many changes, and yet that is the absolute answer. Even though everyone in the committee voted for the bill, we are still in a committee of Parliament, and if the evidence which came before us persuaded us it was a bad bill I think we would be responsible enough to say so and to report to the house.

I guess you will gather that I do not feel the evidence has persuaded us against the bill.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I presume you will recall that the Senate has not yet given this bill second reading, Mr. Knowles?

Mr. KNOWLES: I have thought of that several times, Madam Chairman. I have merely said what I said, assuming this bill passed Parliament. Your point is well taken, Madam Chairman.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I just wanted to remind you of that.

Mr. KNOWLES: But I think after senators and the other members have completed discussion in this committee, the report of the committee will be the judgment of the select members of both houses on this committee.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I trust so.

Mr. AIKEN: Madam Chairman, now that the matter has come up, and this point has been raised from time to time, I am glad to agree with Mr. Knowles that if the committee felt that after hearing witnesses for two or three weeks we felt the bill had been approached on an improper basis, the committee would be perfectly entitled to report back and ask the government to bring in something different. I think some of our witnesses have perhaps been led to feel there was no alternative, and I want to agree with Mr. Knowles on this point at the moment.

Mr. KNOWLES: If two opposition members say that, it has validity.

Dr. CLARK: If I could add one more comment. I have not said this is a bad bill. Obviously it has a great deal for a great many people. I have simply said there was a better way, I thought, of promoting the same objectives.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Anything further, Mr. Knowles?

Mr. KNOWLES: I suppose I should quit, Madam Chairman, but I am just unhappy about the fact that Dr. Clark does not give us the precise details of that either way.

Dr. CLARK: I have pointed out the principle that it would be possible with the resources available to you to get an actuary to make estimates for you. You start off at some point, say $70, and graduate the pension by $2 a year; it will cost you so much. If you begin at another point, it will cost you something else. If you graduate it at a different rate, the cost will be different again. However, I am not an actuary, and therefore I cannot do that myself.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It is after 12.30, if we wish to adjourn. I have only one more name on my list for questions. Would you agree to defer it, Mr. Lloyd?

Mr. LLOYD: Madam Chairman, unless there are any further questions I propose to expres appreciation of the effort that Dr. Clark has made of this point. I am quite prepared to do that now, if there are not further questions.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Does anyone else wish to question?

Mr. LLOYD: May I say, Madam Chairman, that as we progressed this morning it was borne on me that Dr. Clark coming to us as an economist is obviously and quite properly, I think, drawing to our attention that in the long run we may have to re-examine the way we employ resources generally in the social welfare field. I am sure there is a wealth of information he could supply to say a tax structure committee, or to a Economic Council. I think it is in this field that a wealth of knowledge and understanding is needed and a profound and valued contribution in those segments can be made. I am sure Dr. Clark appreciates and realizes that we have a job to do well. He has offered some suggestions by way of improvement within the framework of expendiency with which we are faced. I wish to express appreciation for Dr. Clark's valued contribution by the brief itself, which I think requires our most earnest reading. In any attempt to shorten an explanation of the brief we would have lost much of the great value which Dr. Clark contributed by the comments he set forth. With those comments, I am glad to move a vote of thanks to Dr. Clark.

Mr. CANTELON: Madam Chairman, might I second that motion? In seconding it, may I say it is a great pleasure to commend Dr. Clark for an extremely interesting and intelligent brief, just as Mr. Lloyd has said. I have been greatly impressed too by his conduct as a witness. Last evening he was courageous and, above all, honest in refusing to commit himself to explicit statements in certain situations.

I think too we should thank him for the exhaustive study he has made of Bill C-136 and, in particular, for the numerous helpful suggestions he has given us on the terms of that bill. This was very fair and generous, because he personally believes in a flat-rate benefit solution to the problem. Not many could or would take the trouble to do what he has done to help us in our discussion of this bill.

The CHAIRMAN (*Hon. Mrs. Fergusson*): You have heard the motion of Mr. Lloyd, seconded by Mr. Cantelon, that a vote of thanks be expressed to Dr. Clark. Would you please express your agreement with this in the usual way?

(*Applause*)

Motion carried.

Dr. CLARK: My thanks for your gracious words and action.

The CHAIRMAN (*Mr. Cameron*): I do not think that the statistics Professor Clark presented to us last night were, by motion, included in yesterday's proceedings. I do not think that was attended to, but it should be done.

Mr. KNOWLES: I so move.

Mr. LLOYD: I second that motion.

Motion carried.

The CHAIRMAN (*Mr. Cameron*): Would someone kindly move that Professor Clark be paid his travelling expenses to and from Vancouver, and that he be paid a sum sufficient to cover the extra secretarial expenses incurred in the preparation of his brief?

Mr. FRANCIS: I so move.

Mr. AIKEN: I second the motion.

Motion agreed to.

The CHAIRMAN (*Hon. Mrs. Fergusson*): We will adjourn now and resume at 2.30 this afternoon.

AFTERNOON SITTING

FRIDAY, January 22, 1965.

(*Text*)

The CHAIRMAN (*Mr. Cameron*): Senator Fergusson, gentlemen, we have a quorum. Some of our members have gone home for the weekend, but I can tell you, Mr. Jodoin, that we have had very splendid attendance here and I know that a good many more will come in as we get on with our work.

Gentlemen, I have suggested to Mr. Knowles, and he has agreed to the suggestion, though rather reluctantly, that it would be a good idea if he were to introduce Mr. Jodoin as the President of the Canadian Labour Congress. Mr. Jodoin will then, in turn, introduce the members of the group who are with him.

Mr. KNOWLES: Mr. Chairman, it is correct that I expressed some reluctance at accepting your invitation, but the other side of the coin is equally valid; I welcome the opportunity to say a few words to the members of this committee about my good friend and brother, Claude Jodoin.

Claude Jodoin has for many years been active in the trade union movement of this country. He came into it through the Ladies International Garment

Union. He was active in the Montreal Labour Council and in due course became president of the Trades and Labor Congress of Canada. He was in fact the last president of that body before its merger with the Canadian Congress of Labour, which resulted in the present Canadian Labour Congress. He was with others very active in the moves that led to this union in the trade union movement.

He has not only been active as a trade unionist on behalf of the organized workers of Canada, but he has been active in such fields as human rights and many other matters that are of concern not only to organized workers but to all of the people of Canada.

He knows a little about our problems as legislators because he served for a while in the legislature of his native province of Quebec, and I am happy to add to all of this that I know from experience that he is a wonderful person to work with.

You, sir, said that he would introduce his colleagues, and he might say more for them than I, but I would like to say that he is accompanied by Mr. Donald MacDonald, on his right, who is Secretary-Treasurer of the Canadian Labour Congress, and perhaps I might say that, like Mr. Jodoin, he now lives in Ottawa but he came here from the province of Cape Breton Island, to which there is attached an area known as Nova Scotia.

Donald MacDonald came into the present Canadian Labour Congress through the old Canadian Congress of Labour, and he, like Brother Jodoin, played a very active part in bringing together this union of trade movements in this country.

The other two gentlemen are Mr. Andy Andras, director of the department of legislation and director of the department of government employees of the Canadian Labour Congress, and he is accompanied by Mr. Russell Irvine, a social director of the department of research.

It is a particular pleasure for me, Mr. Chairman, to have these friends and brothers here today, and I am sure that the committee will listen with the greatest of interest to the briefs which they are about to present.

The CHAIRMAN (*Mr. Cameron*): Thank you very much, Mr. Knowles. Mr. Jodoin?

Mr. CLAUDE JODOIN (*President, Canadian Labour Congress*): Mr. Chairman, first of all may I, through you, express my appreciation for the comments made by the honourable member from Winnipeg who is a former vice-president of our Canadian Labour Congress, and with the exception of Senator Fergusson I wish to serve immediate notice to the honourable members of this committee, the honourable members of the Senate as well as the members of the House of Commons, that, being a member of the Ladies International Garment Union, I wish to say that jealousy will not get you anywhere.

We are very grateful to you, Madam, and gentlemen, for the opportunity of being here this afternoon to make a submission to your Special Joint Committee of the Senate and House of Commons on the Canada Pension Plan. I presume that it is unnecessary for me to make a long comment on this subject matter. You have received our submission, and, if you agree, Mr. Chairman, by way of saving time our director of the legislative department, Mr. Andras, will give a résumé of the document itself. I presume in our way of our life, the democratic way of life, through you the authorization of the questioning period will certainly be an order, probably not on both sides but on one side, certainly, through the function which you do perform.

(*Translation*)

Mr. Chairman, I want to thank you and especially to thank the member for Winnipeg-North-Centre for his comments, and to tell you simply that, as you had our brief in advance—French copies are available to you—it is

certainly not necessary for me to comment at any length on the subject matter of it, unless during the discussion which will probably follow. I am certain that the members who are not here today are absent for very good reasons and they will certainly be informed of the brief we submitted. Therefore I would ask my colleague, Mr. Andras, to be good enough to present a summary.

(*Text*)

I will now ask, with your permission, Mr. Andy Andras, director of our legislative department, to make a few remarks.

The CHAIRMAN (*Mr. Cameron*): Mr. Jodoin, I might say that your suggestion is in accord with our usual practice here, and I assume that you know that your brief will be printed in full as an appendix to these proceedings.

(*Translation*)

Mr. CÔTÉ (*Longueuil*): Allow me, on behalf of the French-speaking members of the Committee, to thank your Canadian Labour Congress for their tact in presenting your brief in French and English.

Mr. JODOIN: May I be allowed a word, Mr. Chairman? I would like to point out that that is both a principle and a constant practice with our central union.

(*Text*)

The CHAIRMAN (*Mr. Cameron*): Mr. Andras, and the others, when you are talking we anticipate that you will remain seated. It is not necessary for you to stand.

Mr. A. ANDRAS (*Director of Legislation, Canadian Labour Congress*): Mr. Chairman, members of the committee, and Brother Knowles, I am going to make what I hope will be a brief resume of our submission which has been in your hands for two weeks, I think.

I should like to say at the start that in general the Congress concurs with most of Bill C-136 as we understand it. I say most because the bill contains a number of principles. Those that we read into the bill are a wage-related system of old age security for the great majority of the members of the labour force and the self-employed. There are disability benefits for those who participate as contributors. There are survivors' benefits and death benefits. The scheme also contains the principle of contribution by self-employed, and it includes an element of funding, and it is anticipated that the scheme should be financed exclusively from contributions and earnings on contributions, and finally it includes an amendment to the Old Age Security Act.

In actual count there are number of reasons why we support this bill. To our mind it is a very important addition to the social security structure of our country.

In the first instance it provides a wage-related retirement benefit, though on a limited scale, as we will bring out in due course.

Secondly, it will provide protection for those who have no other arrangements for old age security apart from the old age security benefit. The third point, and to us an extremely important point, is the fact that the benefit is completely portable throughout the country, unlike the situation with respect to private pension plans.

Still another element that causes us to support this measure is the fact that there are automatic adjustments of contributory earnings so that the pool o the plan itself will keep pace with changes in the economy. It is based on what we would call in a private pension plan a final earnings type of calculation. It provides for protection to some extent against inflation following retirement. It enables the retired worker to earn some money after retirement. It allows the old age security benefit to be applied for at an age earlier than 70, although at a reduced rate. Finally, there is a bias in the legislation in favour

of those employees and self-employed who are at the bottom of the income scale—the very low-paid income group in the labour force.

I would not like to give you the impression on behalf of our Congress that we are depreciating the value of the old age security act. We consider that to be a very valuable piece of legislation in spite of what we consider to be its deficiencies, but we would point out that it has certain disadvantages, one of them being the fact that it pays a flat rate benefit which is related to what the social sciences would call "average need" rather than being related to the need of the beneficiary. We recognize, however, that the Canada Pension Plan will be superimposed on the old age security act, so that the old age security act will become the substructure, and we will have, in effect, a double-deck program of old age security under public auspices.

In our consideration of Bill C-136 we have naturally had to keep in mind the fact that there are in Canada a number of private pension plans, and that a considerable number of workers are members of such plans or, at least, are employed in establishments where such plans are in effect. However, as we point out in our brief, there is still a very considerable number of employees who have not come under private plans, and there is a very strong likelihood that they never will because of the nature of their employment. Even those who are covered by private pension plans too often fail to understand the benefit that the plan holds out, namely, a pension by virtue of the vesting and its other restrictive provisions. Our position, as a Congress, is that the private plans would extend, as they exist, to supplement the public program rather then the other way around.

In our submission to you we have made reference to the business of integration of private plans with public plans, and we make the point that the term "integration" is a euphemism, and that in a great many instances integration will merely result in an offset whereby a worker whose pension plan will be integrated will be no better off as a result of the Canada Pension Plan than he was before, or if he is better off he will be only fractionally so.

Now, we have listed what may seem to you a considerable number of reasons for supporting this bill. We must point out, however, that the Canadian Labour Congress has a number of reservations about the bill because it feels it has some important shortcomings. The first of these is the fact that the ratio of benefits to earnings—that is, the degree of wage-relatedness—is relatively low. Once the transition period is overcome the ratio of benefit to previous earnings is set at 25 per cent, and all that is subject to an income ceiling. We think that 25 per cent is an unduly low ratio.

Secondly, we find that the plan envisages the establishment of a fund and, according to the evidence that we have been able to examine, the fund should amount to some $4 billion at the end of the ten years, and at the end of 20 years, according to the Minister of National Health and Welfare, to about $8 billion. Not only is the plan funded, but, in our opinion, unnecessarily so. The very fund itself is being created in a manner that is inequitable. It imposes an unjust burden on those with relatively low income, and is too liberal to those who have relatively large incomes.

It is in the nature of social insurance schemes of this sort to be regressive, and we find this particular scheme to be regressive as well. Finally, the supplementary benefits are too low, and inevitably they must be too low if you agree that the standard benefit is low, because the supplementary benefits are fractions of the standard benefit.

It is our view that the 25 per cent ratio of benefit to earnings is too low, even when the old age security benefit is excluded, to preserve the living standards to which the beneficiary had been accustomed at the time he was in the labour market.

We believe that the benefit itself should bear a greater relevance to the previous standard, and should also be relevant to the expectations of people in our kind of society—in our highly industrialized type of country with a relatively high standard of living.

In our brief we point out to you that in a number of other countries which have similar social insurance programs for old age security the ratio of benefit to earnings is considerably higher.

With respect to funding it would appear on the basis of the evidence that the 1.8 per cent on the employee and the employer respectively, or the 3.6 per cent on the self-employed, is excessive since it will create, according to the actuaries' calculations, a fund of some $4 billion by 1976. It is our view that a program of this sort, maintained under public auspices and through a system of taxation does not require funding in the sense that a commercial plan of retirement would require funding. In our brief we indicate the distinctions between public and private insurance, and for the sake of time I will not enter into them here.

We should understand the need for a fund, which is to provide for unforeseeable contingencies and, to some extent, to provide for a level premium over a period of time, but we are disturbed by the fact that this particular fund is drawn in very large measure from those least able to make contributions to it.

I have already pointed out that we consider this plan to be regressive, and we think this is emphasized by the nature of the proportional tax—the flat tax of 1.8 per cent—and by the fact that there is a cut-off of contributions at the $5,000 mark. In our brief at page 17 we set up a purely hypothetical table of the contribution rates on annual earnings of $1,000 to $10,000. We have shown them in dollar amounts and as percentages of total earnings. We find that after the $5,000 mark is reached the contribution at $5,000 is 1.5 per cent of earnings, but thereafter it diminishes and at the $10,000 mark, which is the top figure we have used in our table, the contribution amounts to slightly more than $\frac{3}{4}$ of 1 per cent.

In our brief we quote from Professor Margaret S. Gordon of the University of California, and we use a quotation from her in support of our statement of the general regressiveness of such programs. We also draw attention through another quotation from Professor Gordon, to the desirability of a contribution out of the general revenues into the Canada Pension Plan fund. We feel that such a contribution would serve to mitigate the regressive features of the Canada Pension Plan.

It is worth noting, Mr. Chairman and members of the committee, that a contribution of this kind is embedded in the Unemployment Insurance Act. Under that act there is a ratio of 50-50-20—that is to say, for every dollar jointly contributed by the employers and the insured employees the Government contributes 20 cents, so that the Government, in effect, is paying one-sixth of the total moneys that go into the fund.

We have not submitted to you any suggestion as to the quantum of the Government contribution, but we draw your attention to the desirability of such a contribution.

I might add on this point that our brief indicates that in a number of other countries around the world there is a Government contribution built into the legislation.

In so far as the supplementary benefits are concerned, we have already stated that in our opinion they are too low, but we have drawn your attention to still another problem and we think this one merits investigation even if Bill C-136 is passed and begins to operate, because of its importance. It would appear to us that there may be a conflict or a cross-purpose between the

administration of the Canada Pension Plan, its primary benefits and supporting benefits and the various social assistance programs which are now in effect in the various provinces. This is a matter of concern which we think should engage the attention of the Government of Canada and of the various provinces. In our submission to you we have suggested that there be a dominion-provincial conference to investigate this particular matter to see that there are no conflicts or, at least, if there are any, how they should be ironed out.

There are two or three other problems that we think deserve comment. One of them is the business of retiring at an age earlier than 65. The Canada Pension Plan contemplates a very long attachment to the labour market for the purpose of attaining retirement benefits. It assumes that contributions will begin at age 18 and will end at age 65 or perhaps later, but for our purposes I have taken ages 18 to 65 inclusive as the norm.

However, in this country there is a considerable number of workers who for one reason or another retire at an age below 65. One illustration we use in our submission is the professional fire fighter who is employed in the various municipalities of Canada. Typically, they retire at age 60. There are a large number of women covered by pension plans for whom the normal retirement age is 60. Amongst school teachers, for example, age 60 is also a common age for retirement.

For those employees who retire at 60 and cannot draw their Canadian retirement pension until age 65 there is a problem of five years and we think this is a matter worthy of your consideration.

There is a problem at the other end of the age scale. There is very strong encouragement being given now as a matter of public policy to prolongation of the educational process. We are encouraging our youngsters to stay in school as long as possible. We are encouraging workers to submit to retraining. Accordingly, the span of 18-65, in so far as future years are concerned, may not be the span at all. It may be 19, 20 or 21 and it may end at 60 instead of 65. In fact, the technological changes that are occurring under our very noses may underline a tendency towards a lower normal retirement age than 65 and this may in the near future pose a very serious problem for the Canada Pension Plan.

It is worth noting that in some of the trade unions affiliated to the Canadian Labour Congress provision is made in the pension plans for retirement as early as age 62. Such people would of course face a problem under the C.P.P. in that they would have to wait an additional three years before they could draw their benefit under that program.

We have already stated that we agree with the principle of escalation in the bill but we think it is not as full a protection against inflation as we would like and as may be desired. The maximum amount in any year is 2 per cent, yet it is possible for the consumer price index—or the pension index, as it is called in the bill—to go up by more than 2 per cent and if there is an inflationary spurt for a number of years, the people on retirement benefit may find that they are falling behind.

We were interested in the statement made by the Minister of Health and Welfare that, when this bill was being considered, an alternative to escalation was in the minds of the Government. The alternative was that the pension should keep pace, not merely with the changes in the prices of goods and services but keep pace with the change in the standard of living in the country as expressed through changes in wages and salaries. We are bound to state here that we find the alternative which was not chosen by the Government the more attractive alternative. In our brief we point out that on the average a person who reaches age 65 has a life expectation of about 14 or 15 years. The male has an expectation of about 13 years and the stronger sex an expec-

tation of about 15 years. Therefore, taking it on the average, we may find that the men and women retiring at age 65 on the retirement benefit, will find the pensions getting further and further away from the living standards enjoyed by the rest of the community. The reason is that while the retirement benefit will be preserved in terms of price change, it will not be preserved in terms of living standards.

It is quite conceivable that in 13, 14 or 15 years span, especially in a time of economic activity, there may be major changes in our living standards. I have been trying to think of an example in my own case and in my own lifetime. When I was a youth, for example, which now seems a long time ago, the telephone was considered very much a luxury. My family did not have a telephone for a very long time. Now it is not considered a luxury, it is part and parcel of the standard of living. The same applies to radio and television. It is quite possible that in the retirement span of the beneficiary, some new desirable material good or some new service may come on the market, which should be part of their lives but which may be denied to them because their retirement benefit precludes it.

Accordingly, we would ask you, in your considerations, to go back to what the Minister of Health and Welfare said to you and consider the desirability of the alternative which was set aside.

In regard to the Old Age Security Act, this bill will, when enacted, provide that an applicant will be able to make application for the old age security benefit as early as age 65 or any time between age 65 and 69 but at a reduced rate. The formula is contained in the bill and I need not deal with it here.

We have given that rather careful thought because for many years we have advocated that the old age security benefit should be payable at age 65. Now we find ourselves in the situation where it will be, but anybody who wants to take it at age 65 will forfeit for the rest of his or her life $24 a month, if I recall correctly. This is a very sharp reduction. We find that the amendment comes at a time, and applies to people who are not likely to enjoy the benefits of the C.P.P., because it will be made universally applicable to those reaching age 65 whether they have been on the labour force or not. Therefore, we are doubling the trouble. We are troubled at the reduction, we are troubled at the fact that the reduction will be applicable to people for whom $75 is not sufficient and who may now be put in a position of having to apply for $51.

It is our view that, particularly during the transition period, but also as a generality, the $75 a month benefit should be retained and should be made available at age 65, certainly for those who do not fall within the purview of C.P.P.

We are not convinced that the $75 a month is an adequate benefit for those who have to rely on it for their livelihood for we believe that the amount of benefit under the O.A.S. Act should be reviewed by Parliament and a higher figure would be in order to maintain the health and decency standards for older people.

Another aspect of the amendment to the Old Age Security Act is the fact that there is built-in escalation there also. We do not object to the escalation. We have been accustomed to it in our collective bargaining processes. What we are frightened of is the fact that the existence of escalation may serve to freeze the benefit itself because there will be an easier rationalization that the older people are being looked after and their purchasing power is being retained; but if the pension plan is inadequate, the escalation will merely preserve an inadequacy. Therefore it is necessary to underline the necessity of periodic reviews of the old age security benefit by Parliament. This is merely a repetition of what we have said in representations and submissions to various governmental levels once a year.

I wish to swing back now into the Canada Pension Plan for my final point. In our submission, we have not dealt with the technicalities of the bill as such. We have dealt with its principles. There is one area of technicality that has caused us concern, namely, that dealing with the appeals procedure. We are not very happy with the appeals procedure as we read it in the bill. We are very much afraid that those beneficiaries who feel that injustice has been done them will be so overawed by the procedure and by the complexities of being represented on appeal or review boards, as they are called, that they will not take advantage of what is their right to a day in court.

We suggest that a more flexible procedure is in order. Since we have an abundance of experience now with regard to the Unemployment Insurance Act and its boards of referees and its umpire, we are recommending to you that the bill should be amended or modified in this respect to provide for a more flexible system of appeals. This will allow for local boards of review, where claimants will appear before tribunals with which they are familiar and at which their contributor representatives or employer representatives will attend and where they will not be overwhelmed by a sense of appearing before judges of the high courts. After all, the vast majority of the people in this country are not accustomed to such formal procedures, and in a system of social security which will embrace several millions of people the appeals procedure should be so simple that the vast majority of them should have no hesitation in using them if it seems that they have reason to do so.

Thank you Madam Chairman, Mr. Chairman and members of the committee for listening to this presentation.

The CHAIRMAN (*Mr. Cameron*): Thank you, Mr. Andras. Members who wish to ask questions are in this order: Mr. Munro, Senator Donald Smith, Mr. Francis, Mr. Leboe, Mr. Aiken, Mr. Lloyd. Does anyone wish to add his name? Mr. Knowles, Mr. Basford and Mr. Cantelon. Undoubtedly others will come later on as we go along. Mr. Munro, first.

Mr. MUNRO: Thank you Mr. Chairman. As one member of the committee, I wish to commend the Canadian Labour Congress on their very constructive and helpful brief with respect to the Canada Pension Plan. They have brought out many points in a constructive way that do tend to rebut to a considerable degree many of the submissions that have come before the committee. In that way, I am sure they have been very helpful in pointing out the other side. I notice that the Canadian Labour Congress does deal with the regressive aspect of the Canada Pension Plan in some detail. I wonder if they could advise me and the committee or give any suggestion as to how in the Canada Pension Plan this regressive aspect they talk about in the brief might be overcome?

Mr. ANDRAS: Mr. Munro, we might suggest that one is to change it from a self-financed system by those covered and the employers, one in which there is a contribution from the general revenues of Canada. In that case, money would come in from people through a progressive income tax, and those in a better position to pay would be paying where they pay relatively little under the Canada Pension Plan. Another way, of course, would be to have a variable contribution rate, or to raise the ceiling for contribution purposes so that there would be a higher contribution by those of higher incomes.

Mr. MUNRO: Are you in effect recommending any of these measures, or are you saying you have any preference for any one of them?

Mr. ANDRAS: The one specifically recommended in our brief is a contribution from general revenues of Canada.

Mr. MUNRO: But without reflecting this element on the Canada Pension Plan, would you accomplish your same end by future increases in the old age security, if they should be contemplated by the government?

Mr. ANDRAS: I am sorry, I do not think I understand your question.

Mr. MUNRO: By future increases in old age security, would this not go to a considerable extent to accomplish this idea with further public participation?

Mr. ANDRAS: Unfortunately, Mr. Munro, the old age security itself is regressive in the way in which it collects the taxes for this particular form of benefit. There is a cut-off at $3,000 of taxable income, regardless of the taxable income, so that on the first $3,000 everyone is paying 4 per cent, and everyone over $3,000 paying a diminishing ratio.

Now, what the old age security benefit does, because it is a flat rate benefit, is to favour those with lower incomes relatively more than those with higher incomes. In our submission we make this point, as a matter of fact, in an illustrated table on page 7. For the person who is unfortunate enough maybe to earn $100 a month, is married, and draws the full old age benefit at 65, the benefit would be 127 per cent of earnings, and as you see this diminishes as the income goes up. Now for low income earners any increase in the flat rate benefits is proportionately more valuable than those with the higher incomes.

Mr. GRAY: May I ask a supplementary question? Is it not correct that there is no maximum income on which the old age security tax is applied for corporations, under our present system?

Mr. ANDRAS: Well, there is the 4-3-3 formula, that is, 4 per cent on taxable income, 3 per cent on corporations, and 3 per cent out of the 11 per cent they pay in sales tax. Setting aside the corporation tax, you have two regressive taxes, right off the bat.

Mr. MUNRO: I wondered if you did not feel that this regressive feature was related to some extent to some features of the Canada Pension Plan, such as the present exemption of $600?

Mr. ANDRAS: In our brief we point out that there is a built-in bias in favour of the very low income worker for $600 exemption for contribution purposes, but it is counted for benefit purposes. So the unfortunate person in our society who has to live on $1,000 a year of income has a bias built in the bill on his behalf.

Mr. MUNRO: So to that degree, that feature does militate against the regressive aspect?

Mr. ANDRAS: Mr. Chairman, if I have your permission, I would like to refer to a greater authority on this than I, one of the outstanding social scientists in the industrial world. I am referring to Professor Eveline M. Burns. I want to read about four sentences from page 159 of her book entitled "Social Security and Public Policy."

> The tax on wages and self-employment is a regressive tax: there are no exceptions by reference to any minimum income or to extent of family responsibilities, also the rate is uniform whatever the level of earnings up to the taxable minimum. Hence it has been held that to require the beneficiaries as a class to pay for their own security, especially when the tax is levied only on the first so many dollars of income ($4,200 in OASI), is to require the relatively poor to pay for current security guarantees and is contrary to prevailing theories of social equity. Although in some systems where benefits are weighted in favour of the lower wage earners the non-regressive character of the system as a whole may be somewhat modified, it still remains true that the method of financing, as such, is regressive.

Now, what it amounts to is that our system mitigates the regressiveness, but maintains the regressiveness, if I can put it in those terms.

Mr. MUNRO: There are a couple of other features I would point out for your comment, whether you felt also some of the wage levels militated against this element, whether you felt the 10 per cent drop out had any effect on this element in the Canada Pension Plan?

Mr. ANDRAS: Well, 10 per cent drop out I do not think alters the regressiveness. What it does is to help to relate the ultimate benefit more closely to the final earnings position of the claimant for the benefit. The drop out will allow the drop out of the bottom years. It is 10 per cent drop out. We have allowed 47 years of work. So that it is approximately a five year drop out and then there is an additional one beyond 65. I note that Mr. Osborne signifies that I am correct. In addition, there is a formula of updating the wage. This caused the Canada pension benefit to approximate what is known as a final earnings formula in private pension plans. It is a rather complex formula, as the legislation has it, but generally speaking this is its objective, if we understand it correctly.

Mr. FRANCIS: If I may ask a supplementary question: Let us take the case of a student, whose earnings pattern varies, if he uses the drop out provisions, would it not tend to mitigate to some degree the regressive feature?

Mr. ANDRAS: If you take a young man who works in the summer months, a student from 18 to 21, or even aged 23, his earnings may be enough to make a contribution but he would be excluded by virtue of the exclusion of the act.

Mr. FRANCIS: If he doesn't earn anything?

Mr. ANDRAS: Then the drop out helps him.

Mr. FRANCIS: But obviously it could be of more assistance to people with some years of earnings?

Mr. ANDRAS: Yes.

Mr. FRANCIS: And to some extent it would be in the category of not being a regressive feature, perhaps a redeeming feature?

Mr. ANDRAS: It is a redeeming feature.

Mr. FRANCIS: That is true.

Mr. MUNRO: And you could carry it even further, as in the case of the income of $5,000 compared with earnings of $2,400 or $2,500 a year or the average worker in that general class, perhaps $3,000 a year. Over their earnings lifetime $3,000 a year would be far more susceptible to seasonal adjustment, layoffs, and so on, probably many of whom would be unskilled. They would benefit to a greater extent, wouldn't they, than those earning twice as much up to the $5,000 range?

Mr. ANDRAS: The dropout will help them to the extent their employment is irregular. To the extent their earnings are as low as you suggest, as an illustration, their benefit, no matter what you do to it, is going to be in absolute dollars a very low benefit. I was going to say this, and if I seem to be moving away from your point, I hope you will forgive me: The point I would make, and that we would make as a Congress, is that any system of social security must be considered in the framework of the economy as a whole. It will be as viable as the economy itself. If we were to lapse into the kind of experience I had the misfortune to know when I left school in 1930, and go through 10 years of depression, the Canada Pension Plan would not have a great deal of merit in the eyes of the people. But if we can carry ourselves forward into the kind of economy the Economic Council of Canada is envisaging, the Canada Pension Plan will be a most valuable form of social security to our people. I think we must bear this kind of thing in mind.

Mr. MUNRO: I was interested in your statement that—and I realize it—you do not live on percentages, as been said here on several occasions. But it is interesting to note that in the $2,400 range, which we all acknowledge is below subsistence level pretty well, there the benefits, including O.A.S. for a man and his wife, say, 67½ years old when they retired—which is reflecting a lower old age security than 75—it would be $176 or 88 per cent. Of course, the percentages drop as you go up, as I know you are well aware. I think that is at least indicative of a trend in the plan, to indicate that the benefits at least in the lower income levels are not substantially falling away or falling down from the average earnings during a man's lifetime.

Mr. ANDRAS: What you say is mathematically correct. We took a gross example of a person actually being better off in retirement than at work, if he had been earning $100 a month. According to our illustration on page 7, he and his wife would enjoy 127 per cent.

Mr. MUNRO: I thought that was a little too extreme.

Mr. ANDRAS: All right, then take a man earning $200 a month, who will get 76 per cent. You yourself said one does not exist on percentages, but that it is income that counts. What we would say simply is this, that anybody who has been living on $100 or $200 a month, and supporting a spouse on that, is not getting enough for what we call a healthy and decent standard of living. We think the combination of the Canada Pension Plan and the Old Age Security should aim at providing that minimum which will maintain health and decency as we call it, or what the Americans call a modest but adequate standard of living on retirement.

Mr. MUNRO: A couple of other areas I want to touch in this regressive feature. To a degree it has already been dealt with by Mr. Andras—

Mr. ANDRAS: I am sorry, but I missed you.

Mr. MUNRO: Another area in this regressive discussion I wanted to mention—and to a degree it has already been dealt with by yourself—was this business of Old Age Security, but certainly in the lower income groups, within the $5,000 bracket, the Old Age Security is a considerable weighting factor in favour of the lower income groups.

Mr. ANDRAS: In both the Canada Pension Plan and in a combination of the Canada Pension Plan with the Old Age Security the existence of the flat rate benefit, like the $25 a month for the disabled, widows and so on, works out more favourably percentagewise for those with low incomes than for those with high incomes.

Mr. MUNRO: To that degree it would also militate against the regressive feature, even taking into account your comments with respect to the source of revenue to maintain Old Age Security, especially in relation to the lower income group.

Mr. ANDRAS: I would love to be agreeable with you, but I still have to argue there is a regressive aspect to this act which the flat rate benefit may mitigate, but does not set aside.

Mr. MUNRO: I do not know whether it is specifically referred to in your brief, but when you discuss the source of funds of the Old Age Security, my understanding—and I would not mind the advisor to the committee telling me, if he is aware of the particulars, and this is very short notice—but the Old Age Security fund has been running a deficit, I understand, for a goodly proportion of the years in which it has been in operation. This deficit has been made up out of general revenues. That being the case, I would also think that should be an item that should be considered when we talk of this regressive element. I am not positive as to the precise amount of the deficit

that has been made up. Through you, Mr. Chairman, I wonder if Mr. Osborne knows.

The CHAIRMAN (*Mr. Cameron*): Mr. Osborne usually has the information.

Mr. KNOWLES: Give him two minutes!

Mr. OSBORNE: Would you mind repeating your question?

Mr. MUNRO: I want to know about the difficulty in regard to the Old Age Security fund. To maintain the benefits under the Old Age Security, year by year, what infusions have been necessary by the Government?

Mr. OSBORNE: I believe this information is in the Proceedings, around page 100.

Mr. KNOWLES: That's our boy! This is our Andy Andras.

Mr. OSBORNE: Page 99. Mr. Chairman, this gives the information only for the years 1960 to 1964, in which it shows: two years, surpluses; three years, deficits. Now, I believe Mr. Francis quoted earlier in the Proceedings, 12 years of deficits.

Mr. FRANCIS: No, 10 years of deficits and two years of surpluses in the first 12 fiscal years of operation.

Mr. OSBORNE: The two surplus years were 1961 and 1962.

Mr. FRANCIS: Yes, that is correct.

Mr. MUNRO: I just wanted to bring out the fact that point is a feature.

Another one I wanted you to comment on, in this general area too, is that of employers' contributions to the Canada Pension Plan. It has been brought out by various organizations that have come before this committee that they feel it is rather unfair to the employers that their contributions are, in fact, a payroll tax. In many cases, due to administrative considerations, it is impossible for the federal Government to make any refunds in cases where, if it was not for the administrative problems, refunds could have been made; and their contributions towards maintaining the Canada Pension Plan on an overall basis is greater than that of the employees' contributions. I wonder if you felt this aspect and the overall aspect of the employers' making half of the contribution did also militate against the argument about it being regressive?

Mr. ANDRAS: I do not think so. Of course, we do not represent the employers here. This business of the employer making what may be an excessive contribution has been brought to our attention. Some employers' organizations have been kind enough to draw this problem to our attention, Mr. Munro. At least, somebody phoned us and we discussed it over the telephone. I want to be perfectly candid with you. This act calls for a 50-50 split. If it isn't 50-50, purely because of administrative reasons, then we think it is unfortunate that the policy set out should not be fulfilled. If it is a matter of public policy that the employer should pay more, the act should say so in so many words. For example, the Workmen's Compensation Act calls on the employer exclusively to make a contribution. The Unemployment Insurance Act calls for a 50-50 split. We, as an organized labour movement, are not particularly interested in "backdoor" arrangements whereby employers will overpay. If the Government of Canada is as smart as we believe it is, they will overcome these administrative obstacles in due course. We have the highest admiration for the public service of Canada.

Mr. LEBOE: A supplementary question, and this is purely and simply a question to the C.L.C.: Do you think the time has come when some research should be done with respect to having the employers pay to the employees the amount that is normally put in as an employer's contribution; and then let the employee have full control over the funds, because is it not more or less psychological anyway? It is just a withholding tax from the employer.

All he is doing, really, is withholding paying it as a contribution, because it is really for the employee.

I was wondering if the time has not come when some research ought to be done with a view of getting to the point where the employee gets all the money and pays it all so that he has full control over the contributions.

Mr. ANDRAS: He would not have full control, not if there is a statute which says that he has to pay it to the Department of National Revenue, or whereever it is going to go. It is a matter of public policy in a number of items of social legislation like unemployment insurance, Canada Pension Plan, the workmen's compensation, that coverage for certain groups should be mandatory. There is no option under the circumstances and therefore it becomes a matter of administrative convenience how to obtain the premium, and a matter of public policy as to who should pay the premium.

And, psychology apart, if there is to be a proportional tax to maintain the Canada Pension Plan, and it is a matter of public policy that it should be on the employer and employee in like amounts, then our experience would indicate just from the way we collect income taxes that the best way to do it is through a check-off through the employer.

Of course, I am not dealing here with self-employed. We will have problems in this regard. I am talking about those members of the labour force who are wage and salary earners, and then the method envisaged by Bill C-136 is the method adopted so far as I know the world over to collect taxes of this kind.

Mr. LEBOE: My question was merely suggesting that possibly there was an avenue here for some research in getting the contributions brought in to a position that did not rest on psychology to a great degree, but, and I am speaking as one who was an employer for 13 years, though of not a very large group of individuals, the money we paid out in unemployment insurance was really a holdback from the employee. It did not belong to the employer. We paid it in and said it was the employer's contribution, but we did not pay it in in any other way than just as a holdback of the employee's actual wages.

I felt that there was room for research, and I really wanted to find out from you if there was not room for some research in this regard to make it much simpler all the way through as far as the Canada Pension Plan is concerned, U.I.C. and some of these other measures, to push for something of this nature.

Mr. ANDRAS: Well, I wouldn't quarrel with you about research. But I do think just offhand, since I am not in a position to give it a great deal of thought here, that what you have in mind would probably make the administration of the act so excessive as to make it an unfeasible procedure. It would defeat the purpose of getting automatic coverage of those specified to be covered.

Mr. LEBOE: You don't think it could be accomplished even though the whole thing was taken away from the employee's cheque but was actually shown as his contribution and not the employer's?

Mr. ANDRAS: It would perhaps—and I am going to coin a word here—be an "honester" approach to taxation than is the case at the present time.

Mr. LEBOE: That pretty well answers my question.

The CHAIRMAN (*Mr. Cameron*): Mr. Munro.

Mr. MUNRO: Mr. Chairman, I think that Mr. Andras commented on this aspect of the employer's contribution. I was intending to emphasize not, I would think, the minimal gains which are involved in any event through this administrative difficulty, but rather the overall area of employers across Canada today having to pay, on a $5,000 maximum or less, half of the total contribution. I was wondering whether that whole concept of employees paying half, on wages from $5,000 and less, was not in effect progressive rather than regressive and should be considered as such.

Mr. ANDRAS: Well, no. I don't think the fact that the employer is doing it makes that difference. A proportional tax—this is what the specialists call it; I learned the word only last year—this flat rate tax, to use simple words which I can understand, is an inherently regressive kind of tax where you have a ceiling on the taxable amount.

Mr. MUNRO: Finally, Mr. Chairman, I wanted to get Mr. Andras' comment on this, and I am looking at his chart on page 17, and I notice that the ratio of contribution as to total earnings climbs to $5,000 and then diminishes after $5,000. Of course, it diminishes obviously starting at those incomes over the ceiling, but is does progress steadily up to the $5,000. But when you are considering this in terms of $1,000 up to $10,000 and so on up to $20,000 and $25,000 and $50,000, do you not feel that the progressive taxation under the Income Tax Act also should be considered as militating against any type of regressive feature.

Now, I noticed your comment, which I think was on page 17, about five lines up from the bottom in your paragraph 27 concerning a system of progressive taxation, such as the income tax is supposed to be. I thought you would probably have some comment on my comment that I thought the Income Tax Act would militate against it being regressive.

Mr. ANDRAS: Just about a year ago I submitted a brief to the Royal Commission on Taxation, in which we argued that our Income Tax Act which is ostensibly progressive is insufficiently progressive. Of course I would be glad to file a copy of that brief with your committee and save our time here, but we don't think that the Income Tax Act was steep enough. We think that there is too much of a spread at the top of the range.

Mr. MUNRO: Thank you.

The CHAIRMAN (*Mr. Cameron*): Senator Donald Smith.

Hon. Mr. SMITH (*Queens-Shelburne*): Thank you, Mr. Chairman. I hope you will permit me to say first, Mr. Chairman, that most of us, perhaps all of us on the committee, were very pleased to learn from reading the brief of the Canadian Labour Congress that Parliament is on the right track when it has presented a specific bill under the name of the Canada Pension Plan, and that there is agreement in principle to the effect that we should have such a plan. Our hopes in general are that it will be in effect by January 1, of 1966. It is also very interesting, of course, for us to have learned the other day from the submission by the Canadian Manufacturers' Association, who represent industry, as you know, with employees numbering over one million such as your number apparently is, that that association has taken a similar stand on the principle of the bill. Like you, they have suggested certain things for us to consider in the way of possible amendments to the bill and, of course, Mr. Drury was very helpful to us.

The third thing I would say is that it pleases us today to learn that Ontario will be part of the Canada Pension Plan, which removes any doubt of the national character of our plan now.

That is not in question, Mr. Chairman, but I have heard longer statements than that on it.

I am particularly interested in the subject of integration and I noticed that you make some reference to it in paragraph 17 of your brief, and I think it is evident to us all that the word "integration" means different things to different people.

In your reference to it you did say this:

> ... an examination of the current discussions on integration indicates that what is actually meant is some arrangement whereby the benefits under private pension plans are to be reduced, at least in terms of future service benefits,...

And so on. Have there been some recent current discussions, apart from the discussions within the committee, that would lead you to believe that that is the general understanding of the meaning of the term "integration"?

Mr. ANDRAS: Well, Mr. Chairman, I was very fortunate, through sheer coincidence, that just about a week or two weeks ago a local union president came to my office. He works for a firm which is one of Canada's very large firms. I don't think it is important here to give the name, and he said that they had recently been in negotiations, and the employer had laid two pension plan matters on the table. One was the amendment required under the Ontario Pension Benefits Act, which I told him was purely routine—the company had to observe the law, and that was all there was to it—and then the same firm put on the table the second document, of which I have a copy here. It is entitled "Proposal of Pension Plan Revisions", and this has to do with the Canada Pension Plan. The company is suggesting the kind of integration that we describe so briefly in our submission. They have two examples which are rather interesting to me, and I will give them to you. They take the example of an employee who had had a $3,000 benefit per annum without the Canada Pension Plan. They then integrate, and they show that as a result of integration he will retire on $3,050, or he will get an extra dollar a week.

They have a second example which is rather more splendid. The employee who would have retired on $2,500 will retire with the Canada Pension Plan integration with $2,750.

Mr. BASFORD: What happened to the contribution in those examples?

Mr. ANDRAS: What happened to the contribution rate is that it remains the same, but the amount of wages upon which contributions are made is reduced. In the first example it was 5 per cent of $5,000 for the status quo, and then it became 5 per cent of $3,000. The significance was, as I indicated, that the net result would be $50 a year more in benefits.

Now, we have reservations about this sort of thing, especially if it is a unilateral decision by the employer, but we are not here discussing collective bargaining principles. What we are discussing here is what happens in a firm which has a private pension plan which may be inadequate so far as a considerable number of employees are concerned, because they may have short service or the pension plan may have been late in coming in, but the employer is interested primarily in cutting his costs. He engages in so-called integration, and the result of the introduction of a public program is of no significant value to the employees concerned. Where this occurs, this is not good public policy.

Hon. Mr. SMITH (*Queens-Shelburne*): It would be helpful if you would tell us what is the percentage of their earnings on which the pension is based that results in a $3,000 pension under the scheme?

Mr. ANDRAS: Well, this firm had what is called a unit benefit plan. There are different types of plans, as you know.

Hon. Mr. SMITH (*Queens-Shelburne*): When you arrived at that figure for the person who would have retired with a pension of $3,000, and who will, with integration have his pension increased by $50, are you taking into account the addition of the old age security?

Mr. ANDRAS: No, that is not included in the integration formula.

Hon. Mr. SMITH (*Queens-Shelburne*): Well, it would be another roughly $600 if he retired at age 65?

Mr. ANDRAS: Actually it is $624, but that again is a public program.

Hon. Mr. SMITH (*Queens-Shelburne*): Yes.

Mr. ANDRAS: I should point out that there is also so-called integration with old age security benefits. There are some employers who offset old age security benefits against their private pension plan.

Hon. Mr. SMITH (*Queens-Shelburne*): Now, as an example of what is generally considered a generous pension plan perhaps we might cite the federal Civil Service Superannuation plan in which the maximum benefit, as I understand it, is 2 per cent of the annual income of the best five years for 35 years, making a total of 70 per cent of—

Mr. ANDRAS: It is the best 6 consecutive years, I think.

Hon. Mr. SMITH (*Queens-Shelburne*): It has also been the declared policy of the Government—and I believe the Government, when it makes these decisions, would try to be fair, and it has attempted to integrate in the same fashion that you have just explained to us.

Mr. ANDRAS: That is right.

Hon. Mr. SMITH (*Queens-Shelburne*): Do you agree that the decision of the Government to integrate in the matter of retiring civil servants is a proper way to integrate? Do you not think that the whole addition of the Canada Pension Plan should be on top of that 70 per cent figure?

Mr. ANDRAS: I would preface my remarks with the following statement, that the Government of Canada is aware that in a matter of months or, at the most a year, there will be collective bargaining in the public service. It seems to me it would have been eminently reasonable for the Government to have deferred any action in respect to amending the Civil Service Superannuation Act until collective bargaining had become a fact, and when the staff associations would have had an opportunity of dealing with this across the table instead of having a decision handed to them as a matter of Government policy.

Mr. LLOYD: May I ask a supplementary question? This, of course, will depend on the timing of things. The Canada Pension Plan is due to start in 1966, but we do not know—

Mr. KNOWLES: When is collective bargaining due?

Mr. LLOYD: I think the observation is very timely right now, but I do not think you should conclude it will not happen.

Mr. FRANCIS: On this point I should like to ask Mr. Andras if he knows that the staff associations are represented on the Advisory Board on the administration of the Civil Service Superannuation Fund?

Mr. ANDRAS: I am not privy to their councils, but it seems to me that a condition of employment like that is one that should ordinarily fall within the area of collective bargaining.

Mr. FRANCIS: I think in the absence of a formal structure of collective bargaining that Mr. Andras will agree with me that it will not be easy to deal with it at this point, but I do not think he would like to suggest, and neither would I, that there has not been consultation with the staff associations and the advisory committee with respect to integration?

Mr. ANDRAS: I defer to Mr. Francis. If there has been consultation and the staff associations are happy, then I wish them well.

Mr. FRANCIS: There have not been representations, so far as I am aware, criticizing this.

Mr. MUNRO: On this very point may I point out that the Canadian Life Insurance Officers Association, and I think one or two other organizations, used the integration process of the civil service to point out the evils of the Canada Pension Plan in so far as its being combined with private plans is concerned. They used the tables arrived at by the Government for payment to civil servants as an example of excessive benefits.

Mr. FRANCIS: Mr. Kilgour was very explicit on this point.

Mr. ANDRAS: The insurance industry can see evils in any public program. It is congenitally capable of that. There is no problem there on their part. I read as much as I could of the proceedings of this committee, and I noticed there were some illustration of what would happen to an integrated program. Frankly, perhaps I am not technically proficient enough to discuss this, but the examples seemed to exaggerate the benefit that would arise out of integration. It is my opinion that for some classes of income in the civil service integration means that the civil servants will get about as much as they would have gotten before. I have not been able to do my homework on this—

Mr. FRANCIS: With the greatest respect to Mr. Andras and the care with which he makes his investigations, I would like to make it clear before this committee that the net effect of the Canada Pension Plan will be an improvement either in benefits or in contributions for just about every civil servant in Canada.

Mr. ANDRAS: If I am wrong I will retract, of course. However, if I find I am right I shall send in a supplementary submission.

The CHAIRMAN (*Mr. Cameron*): This seems to have touched upon an interesting subject, but I think Senator Smith should be allowed to continue.

Hon. Mr. SMITH (*Queens-Shelburne*): Thank you, Mr. Chairman. My interest in the subject has been stimulated for some time back by my being in rather close association with a fairly large industry in Nova Scotia—the management of that industry as well as the heads of some of the unions. They have all been lifetime personal friends. Although my correspondence and discussions with the representative of one of the large unions down there is not so much concerned, at this time at least, with what might happen in respect to integration, he is concerned with some other aspects of the evidence that has been given before the committee, and in particular with some of the observations that were made to the committee by the insurance industry. He was quite annoyed that use was continuously made of the phrase "payroll tax" in reference to the contributions that companies and employees have to make. My friend, who is a union man, takes great exception to that. Do you regard this system that we have as a payroll tax on employers and employees, or do you regard it as contributions in the same way that contributions may be made on a private basis to a company plan or to an insurance plan?

Mr. ANDRAS: Well, there is something in a poem about a rose—a rose by any other name smells just as sweet. The bill, I think, uses the term "contribution". In the Unemployment Insurance Act, with which I am rather familiar, the term habitually used is "contribution". Now, of course, this is a contribution imposed by government, and in that respect it can be identified as a form of tax for an earmarked purpose. But, as I say, the terminology or the jargon of the trade in these matters is that it is a contribution.

Hon. Mr. SMITH (*Queens-Shelburne*): I might add, Mr. Chairman, that my union friend is also trying to impress on me that the contributions to any plan that are made by an employer are regarded by the employees as another form of wage increase. Is that a general point of view of union people?

Mr. ANDRAS: We take the position that an employer's contribution to a pension plan is simply a form of deferred wages.

Hon. Mr. SMITH (*Queens-Shelburne*): I want to say something about the problem that has been presented to me by the management of the same company, and by whom my union friend has been employed for many years. In the first place, he has assured me that he has throughout been a warm supporter of the introduction of the Canada Pension Plan, and he would hope that it would be emphasized during the days we are discussing this bill and, perhaps, even when

the report is made, that there are certain basic needs which must be met by the Canada Pension Plan. He puts as number one adequate pensions, and then comprehensive coverage and portability. But he is concerned in his particular industry about the effect of integration on the other side of the coin. There may be pretty strong arguments to add a Canada Pension Plan to the plan which this particular company has had in effect for almost 20 years. It is in a class which could generally be described as a generous plan. He has given me some examples. A long service employee, without considering the old age security integration, results in the pension on retirement being greater than the average wages throughout this man's working career.

The he points out again that, when you add the social security benefit of over $50 a month at age 65, then that same employee—this particular case is based on a $5,000 a year average income—would get 120 per cent of his average wages. He cannot understand that the system was intended to work that way.

In other words, he believes that 120 per cent of his past wages is going a little too far.

That brings me to the question I have in mind. What kind of a pension would you suggest would be the upper limits on which it could be reasonable to build, on top of their structure, the structure of the Canada Pension Plan, in order to create a total of what could be generally regarded as adequate or satisfactory pensions?

Mr. ANDRAS: I do not know that I can give you any particular figure on that. What we have sought is adequacy and the reason we have sought it is in regard to wage-related benefits. If I heard you correctly, you said there was a benefit of 120 per cent on earnings?

Hon. Mr. SMITH (*Queens-Shelburne*): Yes, when you add the O.A.S. and the company pension plan.

Mr. LEBOE: The figures being quoted are not in constant dollars, because he is going back into years when the dollar was worth more, and that should be taken into consideration.

Hon. Mr. SMITH (*Queens-Shelburne*): We all recognize that, that that makes it difficult to assess what is the appropriate way to do it. Thank you for your intervention.

Mr. ANDRAS: I would say in general terms, and this would appear to be the difference between Mr. Francis and myself, if you have a pension plan in effect and you are aware of the Old Age Security Act being in effect, and if the Canada Pension Plan comes in, then you have to make an ad hoc decision as to adequacy and as to standard. If you have a very good pension plan—and I am not going to define that in arithmetical terms—one that looks after the employee properly and gives a good old age, then the employees have the right, it seems to me, when they are consulted by their employer or when negotiating with their employer, to say: "We would like to slice our income dollar up in a different kind of way."

What troubles us is a situation where you have a money approach plan for every year, where there is less benefit provided by the same amount of money because of the enroachment of age, or you have a unit benefit of only 1 per cent with a career earnings type of formula, so that a man can be there for 40 years and get very little. To integrate under those circumstances seems to us not to be a good thing and should be avoided or stopped, if we could stop it. Goodness knows, we try to do so, in all frankness, if we can.

Hon. Mr. SMITH (*Queens-Shelburne*): I do not blame you. I want to conclude by saying that my union leader friend pays a great compliment and winds up his recent letter to me in this way. He says: "My work is along the same lines as yours, but on a lower level; some day we will be judged as to who did the best." And then he finishes: "Hope you win."

Mr. ANDRAS: Obviously the judgment will not be around here.

Mr. FRANCIS: I am particularly pleased with the number of suggestions made for the attention of the committee. I would like to touch on two of them. I am concerned about the way in which the pension plan may adversely have an effect in circumstances where there is necessary retraining and such things and also in the case of universities, and also those who retire prematurely, before 65, before the age set out in this plan. What do you feel would be the most appropriate way to amend the bill in order to compensate for those deficiencies in the bill as you see them? One method that immediately comes to my mind would be to increase the number of drop outs you have. One method was suggested by Mr. Woods of the Mercer Company, who suggested one which was quite ingenius, that you could blanket in a sum of $2,000 earnings, or assume flat rate earnings for those years. Do you have any views as to just what specific amendments you would support to the bill to compensate for the defects you have mentioned.

Mr. ANDRAS: Your first suggestion sounded like a good one, the 10 per cent drop out. If you take an 18-65 span, it may on the whole be adequate. If your span is 21-60, you may run into difficulties. Therefore, a change in the percentage may be worthwhile.

Another way, I suppose, would be to follow the American example, which allows a claimant to draw pension as early as age 62; but then of course it is at a reduced rate.

The thing that bothered us, and we found it difficult to decide about putting it into the brief, because it is so intangible, is the effect of so-called automation on the labour force.

The obvious fact that right now, while we are sitting here discussing this matter, there are thousands of people who are too old, by the standards of the labour market, and who will have the greatest difficulty in maintaining themselves in that market up to age 65. It may be that the bill is too optimistic about age 65 as a normal retirement age. I appreciate some of the problems of actuarially costing and so on if the retiring age were age 60, but I think those difficulties may have to be faced.

Mr. FRANCIS: One group of witnesses appearing before this committee criticized the $5,000 upper limit, both in contributions and in wage related benefit. Professor Clark, who appeared last night and this morning, suggested $4,500. The general line of criticism has been that this is benefiting the rich —I am putting it in strong terms—but it was assumed to be an aggressive feature. Do you think $5,000 is the right upper limit? Is it too high or too low?

Mr. ANDRAS: I do not think it is too high. A couple of days ago, when preparing my notes for coming here, I asked our research department to give me some very simple composite figures. I asked our researih assistant to provide figures of annual average earnings, the nearest whole year is 1963. The nearest month on which wages and salaries were fully available was September 1964.

In 1963, the average annual earnings for wage earners only—this is the hourly rated people—and I am rounding the figures out—was $4,900. For manufacturing, it was $4,100. For construction it was $4,500. For electrical and motor transport it was $4,600. For services—I really hate to mention this figure—it was $2,200. That is a scandalously underpaid group. That was for the year 1963.

Hon. Mr. SMITH (*Queens-Shelburne*): I had a figure like $94.49 a week for average of males in manufacturing industry for October 1963.

Mr. ANDRAS: The latest figure we have for September 1964, translated into an annual figure, is, for mining, $5,000. For manufacturing, $4,400. For

construction, a little over $4,500. For electrical and motor transport, $4,500 and for services, $2,300.

Hon. Mr. SMITH (*Queens-Shelburne*): These will be both sexes, males and females?

Mr. ANDRAS: Yes.

Hon. Mr. SMITH (*Queens-Shelburne*): This is of course an annual figure?

Mr. ANDRAS: Yes. For wages and salaries, combined, this is a composite of 750,000 people, and it gave $4,400 in 1963. In September 1964 it was running at a rate close to $4,600. I would say that at the beginning of 1966 it would appear to be a reasonable average payroll projection. We do not find a $5,000 figure objectionable. If we had, we would have said so.

Mr. FRANCIS: But you feel this is the right figure for our purposes?

Mr. ANDRAS: Well, we have in this country that fondness for round figures, we have an obsession for a figure with zeros in it. $5,000 looked like a reasonable figure in the light of wage statistics which we obtained from the government and other sources.

Mr. FRANCIS: Thank you. I was glad to hear your views on that. On page 23 of your brief quoting directly from it, you say:

> We suggest that there should be a dominion-provincial conference in this connection to explore the relationship between the Canada Pension Plan and the various social assistance programs and to see also whether and to what extent the ancillary services provided under a social assistance program, such as counselling and rehabilitation, will be affected.

I would like to say that I particularly appreciate this view, because one of the surprises to me of the presentations before us is the degree to which emphasis has been placed on strictly cash benefit programs, that is, universal cash benefit programs. In the age in which we live, that seems to dominate the thinking of a large number of groups. Let me put this to you: Do you really think that social assistance is going to decline, or is it better in the over all view that social assistance will improve, that we should have higher standards of social assistance, that there should be a higher proportion of case work and supplementation and investigation in individual services, and that that will be part of the scene.

Mr. ANDRAS: It seems to me to be inevitable, Mr. Francis, in any system there must be an element of social assistance, because no program of benefits as of right, like a pension plan, or unemployment insurance, or whatever you like, can seem to take care of any single individual within that program, and there must be an area where need can be decided and income supplemented. Therefore, it seems to me that social assistance programs will be continued.

There is another aspect, the quality of the program, the nature of its administration, the services it gives, the calibre of the people who are servicing it, the financing, and so on, all those things that enter into the picture; but I do not envisage a social system structure that does not include an area of assistance.

Mr. FRANCIS: I have one last question. In your view, would it be advisable to include within the terms of reference an adivisory council which is to be established, looking at the relationship of the Canada Pension Plan and the public assistance programs of various sorts in Canada?

Mr. ANDRAS: Whether it goes to an advisory committee or not, I am quite convinced that the government of Canada will have to do it either through the kind of conference we suggest or through the national council of welfare,

or through the administration of this plan, because there is going to be a very considerable amount of criss-crossing of benefits.

Mr. FRANCIS: Thank you very much.

The CHAIRMAN (*Mr. Cameron*): Mr. Leboe?

Mr. LEBOE: I will not be cery long, Mr. Chairman. Mr. Andras, you made reference to the sales tax as a regressive tax, did you not?

Mr. ANDRAS: Well, the sales tax falls on the rich and poor alike. It is a tax on commodities which people buy, excluding some commodities like food, for example. However, in a sense, poor people pay out a larger proportion of money on goods than the rich. The poor tend to pay more in sales tax than the well-to-do. Since the sales tax is no respecter of incomes, unlike the income tax, then the sales tax is a regressive type of tax. My colleague is the one to explain that more fully, but this is my view.

Mr. LEBOE: Basically, I want to know if your views are, in your assessment of the taxes, that the sales tax is regressive as compared with income tax.

Mr. ANDRAS: Which is progressive by contrast.

Mr. LEBOE: And which is a tax which is paid according to ability?

Mr. ANDRAS: Yes.

Mr. LEBOE: Although you will admit there is a matter of choice between a compact or a Cadillac?

Mr. ANDRAS: Well, we examined that, if you want to go into this?

Mr. LEBOE: No, I do not think it is necessary, but it is just that this part of it becomes part of the picture.

I was interested in another point, which is exploratory in connection with the periodic increases in benefits. In other words, the indexes. Would it not be worthy of consideration instead of by index to have a periodic view as a basis of starting towards a projection in the future? In other words, let us say we start in the year 1966, and meeting at five year intervals so that a balance can be arrived at. Then there would be a meeting of minds in connection with whether a plan is adequate, related, or not, and there would be terms of reference wide enough to deal with the point made by Mr. Francis, in connection with the other welfare aspects that may be brought into such a review? Do you follow me?

Mr. ANDRAS: Yes, I follow you, sir.

Mr. LEBOE: I am not asking for an opinion now, but I am wondering if you would consider it worthy of exploring, that aspect, because now we find that everybody and everything is tied to an index.

Mr. ANDRAS: I do not have to answer it now without thinking about it, and I will not. I would simply say that the automatic adjustments built into this bill have an advantage in this respect that the contributors and the beneficiaries know what to anticipate as the years go by; but I would merely add that Parliament is still a supreme body and the act is always open. It is a rather complicated way of getting it amended, as I understand the bill, but it is susceptible to amendment, and as long as the high contracting parties want to have it amended it can be amended.

Mr. LEBOE: Would you object to following the plan I suggested, that when the plan goes into operation we consider the possibility, when there is a rise in the cost of living, at a certain percentage point, there be a review every five years in connection with the matter? Would you have any serious objection if the terms of reference in connection with the review could take in other matters, such as pointed out in your brief on page 23, in connection with other welfare matters, such as you mentioned before in your remarks? It is not only

dollars and cents we are concerned with in welfare, there are other aspects as well.

Mr. ANDRAS: Well, we saw a benefit in automatic escalation to preserve the position of the poor. Our criticism was that it did not provide iron clad protection.

Mr. LEBOE: Do you not think there is a danger of the principle involved, if you want to attach it to annuities, and then bonds, and then move to something else, until we find we are in a race we cannot control? Don't you think we would be starting a fire we couldn't put out? The suggestion I am making here, I think, would take care of the fear of being caught by having made an anticipation to start with. I think that by periodic reviews we could avoid getting ourselves into a situation which we could not otherwise control.

Mr. ANDRAS: Perhaps I should defer to my colleague on my left, Mr. Irvine. I would merely point out that plans comparable to the Canada Pension Plan have existed in other countries for rather a long time. We are latecomers on the scene. To the best of my knowledge the chain effect you mention has not occurred. I would like Mr. Irvine to answer that.

Mr. LEBOE: It does concern me, because I see real danger in the proposition. I think if there were a periodic review with terms of reference which would include all aspects of welfare as well on a broad scale, it would be a great help.

Mr. ANDRAS: Well, all I can say here is that I would remind you that the Canadian Welfare Council for several years now to my knowledge has been suggesting a royal commission to examine the whole social assistance structure, not just this plan, but social security in Canada, which is now a very complex business. This probably would be a very good thing because we have added very many programs in recent years. There is an interlocking of complicated programs. Whether it should be a royal commission, or a joint parliamentary committee, or some other body is really not relevant at the moment, but certainly a good deal of good would be derived from the objective consideration of various programs we now have in effect.

Mr. R. IRVINE (*Assistant Director of Research, Canadian Labour Congress*): I really have no points to add in reply to Mr. Leboe's suggestion, particularly in view of the fact I have not seen the submissions you refer to that try to demonstrate there had been this ruanway effect. Certainly, I do not anticipate a runaway effect in the sense of the payments that would have to be made through an escalation clause getting out of control, unless you want to assume our price levels will get out of control. The pattern in the past several years in Canada has been one of a great deal of price stability, so I have no fears on that account. As far as other matters you raised are concerned, I would have to look at the other submissions before making any reply.

Mr. LEBOE: I did gather you would not object as long as the objective is reached. You would not object to the method as long as the objective is reached, if the purchasing power remains constant?

Mr. ANDRAS: We would not want to wait five years until a review is made of the effect of the cost of living on pensions.

Mr. LEBOE: I suggest we wait 2½, or three or four, whatever was chosen. We should look ahead for half the distance we are projecting for the next review. So we are actually getting the benefit, say, for two-and-a-half years, if on a five-year basis. I wanted to find out if you had any serious objections to any change as long as it accomplished a constant dollar.

Mr. ANDRAS: We not only want a constant dollar, but to relate them to living standards as they improve.

Mr. LEBOE: Of course, I understand that, but that is in a different branch.

Mr. ANDRAS: Yes.

Mr. AIKEN: Mr. Chairman, I have three matters I would like to ask questions on. The first one refers to page 22, at the conclusion of paragraph 31, in which it is submitted that the genral revenues of Canada might be used to level out the burden of the Canada Pension Plan.

We have constantly been running into the problem on the committee of helping those who have small incomes on an income-related plan, and the social workers this morning more or less stated they could see nothing in this plan for those below the minimum of $600, and that another plan would have to be devised on top of this, or in addition to this, to fill out that sort of social problem. In view of this, I am wondering if it would not be fairer to use the general revenues for some additional plan to help these people who are still left completely out of the new provisions, rather than use the general revenues to help those who are making enough income to help themselves.

Mr. ANDRAS: I would not want to create the impression here we are completely indifferent to the needs of those who do not fit into this plan but are in need of income maintenance. We are as concerned as anyone about the person who earns under $600, or $800 a year if self-employed, and so on. Obviously, something has to be done for those people. There are now in effect various social assistance programs which offer some degree of relief to them—not enough, but some assistance. What we were anxious about here is the fact this plan had negligible finances, as far as we were concerned, and we suggested one way of compensating for this would be through an injection of funds, some amount of which would be bound to be drawn from income tax payments.

Mr. AIKEN: Thank you.

Mr. ANDRAS: Mr. MacDonald is saying the two objectives are not mutually exclusive, and that would be our position.

Mr. AIKEN: Have you considered there might be a possibility of including these people in this general plan in some way or another?

Mr. ANDRAS: I was wondering about that. I do not think so. This plan is really one for people who have a firm attachment to the labour market, people who work for wages or salary or have a business of some kind, self-employed practioners who earn or try to earn a fairly steady income all their working lives. When you get under $600 you are getting the follow who is employed so long and all he has made in the year is, say $500 and we hope to get back into the labour market, and perhaps that $500-year will be a drop-out year. On the other hand, you have people whose attachment to the labour market is very sporadic, for example, the housewife who does a spot of babysitting now and again, and that kind of thing. It seems to me to bring them into this act if they make $300 a year would be to produce such footling benefits as to make a mockery of the act itself. If they require income maintenance it should be through some other kind of program which takes cognizance of their needs.

Mr. AIKEN: You would agree, in general, with the suggested approach of the social workers?

Mr. ANDRAS: I did not hear that.

Mr. AIKEN: They said, in effect, some additional program was required for these people.

Mr. ANDRAS: Yes.

Mr. AIKEN: The second point concerns the proposal on page 29 to reduce the Old Age Security age to age 65. Do I understand correctly you would propose that for those who do not come under the Canada Pension Plan in the transitional years the Old Age Security might be retained at $75, starting

at age 65 rather than have them take the reduced amount in accordance with the schedule shown in the plan? Would this be your suggestion?

Mr. ANDRAS: We have suggested that it be made $75 at 65, particularly for those who will not come under the Canada Pension Plan.

Mr. AIKEN: Would you use that as the pension point—in other words, those who did not come under the Canada Pension Plan, who could not drop out?

Mr. ANDRAS: We have to face this problem we have a 10-year transition period during which benefits will be very negligible. And, at the same time, as we point out in paragraph 39 on page 28, they are getting an opportunity or they may be required to take $51 or $54, or whatever the figure is, before they are able to get in under the Canada Pension Plan. It would probably be simpler to bring in the $75 at 65 now; and for some people it is excessive, but we have means of recovering excessive benefits. This is not a fiscal problem in this country.

Mr. AIKEN: I understand your suggestion. What troubled me was the category in which you would place the people who do not benefit under the Canada Pension Plan, because there are different categories of people, like housewifes, for example, who are not in the labour market and who would not come under the plan, in any case, and others who are in the labour market. You are suggesting now that perhaps the easiest way would be to reduce the universal pension age to 65?

Mr. ANDRAS: $75 at 65.

Mr. AIKEN: Yes.

Mr. ANDRAS: I wonder if it is relevant, but just last night I was looking at a document submitted to another committee, the Senate Committee on Aging, and in it there is a table. Incidentally, this is Proceedings No. 24. There is a table in there, on page 1610, of incomes of those 70 and over during the year 1961. They have it by males and females. There were 347,000 males in round figures. Of those, 150,000 had incomes between $500 and $999, which means most of them were living on the old age security, really. In the case of females, out of 382,000, 257,000 were in similar conditions.

It seems to be quite clear that our population 65 years of age and over for the most part had very low incomes, if you examine the actuaries' report, as I am sure you have; there is a table in there. I have the mimeographed copy here and it is on page 49 of that. This is the document which shot up my aspirin consumption. There is Schedule 7 there which shows income in proportion to wage earners of Canada, excluding Quebec, reporting annual earnings of less than $500 based on 1961 census data.

You find these people at two extreme ends of the age spectrum. Males aged 18 and 19 were in the 21½ per cent category, and those aged 65 and over comprised 17½ per cent. In the case of females, 25 per cent were at age 18 and 19, and 27 per cent were 65 and over.

Those that are between those two bracketing age groups are active in the labour force and are making more of a living. They are the people who more logically fit into this, and 65-and-overs are the ones for whom we need to be concerned in terms of old age security. Right now it is particularly those who will never be exposed to the Canada Pension Plan.

Mr. AIKEN: But you say in particular those who will never be exposed to the plan. You rather feel that it should be universal.

Mr. ANDRAS: For the next 10 years until 1976, and then we will have a 10-year period of experience and will be able to watch and see whether the integration of the two can work out as I think it is going to, and we can work out our social security programs for the aged accordingly.

Mr. AIKEN: There is a third matter which will just take a moment, you referred to appeal procedures and made a comparison with appeal procedures under the Unemployment Insurance Act and this may be just a little off the course, but is it the experience of the Congress that the board of referees of the Unemployment Insurance Commission is generally of very little help to the people who are appealing from disqualifications?

Mr. ANDRAS: It is not supposed to help people; it is an administrative tribunal to see that they get justice. It is there to hear their appeals and to see if their appeals are well-founded. The appeal board is a tripartite board, that is, the board of referees. There is a chairman who is impartial—or detached, shall we say. There is an employer nominee and an employee nominee. They are all local people. The complainant can appear before them and the procedures are very, very informal. The complainant can be accompanied by—I was going to say counsel, but he can come with a friend, a union representative or a clergyman or anybody else he wants to bring along with him, and he will get a hearing and it is the very informality of the procedure that adds merit to it.

Mr. BASFORD: I never find anybody who wins them.

Hon. Mr. SMITH (*Queens-Shelburne*): Oh, yes.

Mr. ANDRAS: Well...

Mr. BASFORD: Well, in the future I am going to start writing to you, then.

Mr. AIKEN: This is a little off the subject, but it does relate, because we want to get a proper appeals relation for this act. I feel like Mr. Basford that in the first place the board does not encourage people who appear, and if they do not get some sort of advice often they do not bother to appear and are just rejected. and in the second place the number of people who appeal on their own and get nowhere is almost universal.

Mr. ANDRAS: I am sure you do not want to get into a discussion of unemployment insurance matters. I could talk about it for three days without stopping, easily. All we are trying to say here is that the appeals procedures that we see in Bill C-136 are such as to inhibit appeals from the start. We want to make it at least as easy to file an appeal as it is under the Unemployment Insurance Act. This is what we are suggesting.

Mr. AIKEN: You would suggest something more like a permanent board rather than an ad hoc board which is suggested in this bill?

Mr. ANDRAS: Yes, a local board of review would be good enough, yes.

Mr. AIKEN: Thank you.

The CHAIRMAN (*Mr. Cameron*): Mr. Lloyd.

Mr. LLOYD: Mr. Chairman, at this hour of the day, after some very searching questions and some most informative answers from the gentlemen before the committee, one is hard put to discover an area that has not either been dealt with in the brief to our enlightenment, or has not yet been dealt with by prior questioners.

However, there is still this matter of integration despite all that, and I thought I might pursue some questions in that field. Before doing that I think what in essence the Canadian Labour Congress is saying to us is: We don't expect you to seek perfection at the kickoff of wage-related pensions as a Government measure, but we do—and you say this at the beginning of your submission—"We do identify certain shortcomings," to which you direct the attention of this committee and of those who shall administer subsequently in the advisory committee that may be established under the act.

In other words, we may not be able before the passage of the legislation to accomplish everything, but I think you put some priority of importance on getting started. Am I correct in that, sir?

Mr. ANDRAS: That is right.

Mr. LLOYD: And then we will try to accomplish some improvements along the lines we have suggested, that if you cannot do it in time to get the legislation through, at least get it through and then continue to arrange for attention to be devoted to the matters you look on as having shortcomings in the legislation.

With that general statement I now turn to the matter of integration, and, as a preliminary to that, we did find in this committee some difficulty in getting an abundance of statistics on the percentage of benefits in relation to the earnings at retirement.

We had some statistics, but I would like to have seen more, because I think if more of such statistics compiled for our information had been handy the information would have made us still more aware of the need for this kind of legislation.

A consultant did say that he thought that the mass of beneficiaries under pension plans retired with something like 30 to 40 per cent of their earnings at retirement in pension benefits. When the Railway Brotherhood was before us the other day they mentioned to us a figure approximately in the 45 per cent bracket.

Do you have any statistics along these lines, or any specific information which would tell us where the mass of your members fall in this matter of benefits and related earnings?

Mr. ANDRAS: I am very sorry to say that this information is incredibly difficult to obtain, because you have, literally, thousands of pension plans, and, probably, you have a dozen formulae under which pensions are worked out. Also, of course, you have the factor of age and income, so that the amount that comes out at the end is related to these factors, and when you get into the other complexity of the pension plans, you really are lost.

Mr. LLOYD: You share my surprise that there was not more of an abundance of statistics in this field, then?

Mr. ANDRAS: I would say this. There is very little information about private pension plans generally. The only document we have of any comprehensive value is the one put out by D.B.S. entitled "Non-Financial Data on Pension Plans, 1960". What we really need—and I agree with you on this—is some kind of a census of pension plans with much more specific information than anybody has ever been able to obtain to date.

Mr. LLOYD: Well, it flows from that that when you look at the category of the problems of integration you automatically say that right now there is a great spate of concern among the legislators about pension benefits. There have been studies made in Ontario, and we are grateful for these, and now other provinces have indicated they will follow the same pattern and are going to introduce pension benefits legislation which is designed to achieve portability and ensure solvency, and there will be something about vesting along the lines you people are interested in because in your philosophy contributions are deferred wages, in effect. If we had more information, and if we had more information on the percentages generally of retirement earnings, then one wonders if we could not under provincial benefits acts set some minimums so that employers would not be tempted to go below those figures and fully integrate, or to take full advantage of the Canada Pension Plan. What makes me think that this is a possibility—that is, that integration adverse to the interest of the employee might occur—if something along the lines of the suggestion you made to the committee earlier, and which I find in pages 22 and 23 of the Study of Canada's Pension Plans by the National Trust Company. On these two pages they have an exposé of, if you like, or commentary on, integration of pension plans with government old age pensions, and they

describe the kind of things that have happened. They refer to the thought that some pension plans require adjustment—many do not, but they do say this:

> At a time when the Old Age Security Act pension is increased, there is usually a corresponding reduction in the pension from the pension plan. Employees and pensioners find this arrangement difficult to understand and justify in the light of rising living costs, especially if the plan is contributory.

This is an enlargement of your evidence earlier, I believe.

Now, you share the views of others, I believe, that there should be consultation with employees. The Railway Brotherhoods put forward this point. But, whether this should be done by some legislative change in this bill or not, I do not know. How do you feel about that? I am looking for the mechanics.

Mr. ANDRAS: Most provincial plans would come within the provincial domain, as you undoubtedly know, so the regulation of pension plans will have to be done by legislation similar to the Ontario Pension Benefits Act. It is my understanding that the various provinces, with the guidance and advice of the Government of Canada, are trying to work out common regulations so that an employee moving from one province to another will be confronted with similar standards and conditions affecting pension plans, and this is just as much for the sake of the employers as for the employees. There is a limited number of pension plans that the Government of Canada can cover. I am treading on delicate ground because I have no constitutional authority, but I am thinking of the industries within the federal domain. However, the thought you have put forward is an interesting one, and when I get the proceedings of this meeting I shall want to reread carefully what you have said, and then to consult my colleagues who are more expert on pension plans than I am, because I think you have touched upon something that is very useful.

Mr. LLOYD: It would seem to me that now you are moving in to regulate at the provincial level private pension plans, that this is one of the important elements for study and action on the part of provincial authorities because of the constitutional question, and, by the same token, an area of concern again for the national government in those areas where it has responsibility.

Mr. ANDRAS: We would certainly welcome that.

Mr. LLOYD: You agree that some investigation in this direction might offset the fears that you have expressed, that integration with the Canada Pension Plan might result in the kind of situation which you outlined, I believe, by quotations from two letters.

Mr. ANDRAS: One letter. I have another letter, but I shall not read it.

Mr. LLOYD: With that observation, I think I can say nothing more than to point out that the events of 1965 seem to indicate that we shall be making some progress, and that it is as well for everybody to keep in mind the observations of the Canadian Labour Congress not only in respect to immediate amendments to bills that are before us, either here or in provincial legislatures, but to those that will follow in the future as advisory committees and responsible ministers recommend them.

I shall close with this observation, that your statements on integration and regressive taxation are most interesting. I am sure that integration has nothing to do with the great achievements of Donald MacDonald from Cape Breton, Nova Scotia, who seems to have integrated himself into national affairs very well. He has done excellently, and we in Nova Scotia are proud of him.

The CHAIRMAN (*Mr. Cameron*): We do allow a little latitude to Mr. Lloyd.

Mr. LLOYD: We have heard that decision-makers in industry are one of the most valuable resources of Canada, and I would like to add to that the people who make the final decisions in labour. They are one of our major national resources.

With those politics out of the way, I shall make my final observation. We have had some bits and pieces of comments about the income tax provisions with respect to the deductibility of contributions, and here again I point out that we have the Carter Commission. I think it might be wise for us to address ourselves to that commission on the subject of progressive taxation such as for example, we are talking about today.

The CHAIRMAN (*Mr. Cameron*): Mr. Knowles?

Mr. KNOWLES: Mr. Chairman, my colleagues on the committee will be glad to know that at this hour of the 14th session we have had this week I do not feel it is necessary to ask questions of this delegation. I did not make this remark with the intention of obtaining applause, but I noticed it. I can perhaps be pardoned for observing that I welcome your brief very strongly, for it emphasizes features of Bill C-136 which I think are good, and I think it emphasizes its shortcomings and makes suggestions as to what we should do. Albeit, you do urge that we try to get this legislation enacted as speedily as possible.

May I limit my questions to one aspect? You have referred in your brief, and in your comments on it, to persons not covered. I am thinking now not about the categories of people for whom social assistance or some other aid needs to be provided, but the people whose ages are such that they sometimes get referred to as the lost generation—the people in their sixties who will not build up very much benefit under the Canada Pension Plan, and the people who are already retired and for whom there is nothing. I think it is fair to say that the plight of these people has been brought to the attention of this committee a good many times during last week and this, and I think it is also fair to say that the members of the committee, pretty generally of all parties, are aware of the fact that this is a problem we have to face.

Now, if we do make some recommendation that something be done about those who are 70 and over and now retired, or about those between 65 and 70 who will not qualify under the Canada Pension Plan itself, do you think we should try to draft provisions for them into the Canada Pension Plan, or should we try to take care of their needs under acts like the Old Age Security Act and others?

Mr. ANDRAS: I think the Old Age Security Act and other statutes are more appropriate instruments than the Canada Pension Plan.

Mr. KNOWLES: Would you see some parallel between the stand you have taken with respect to the Unemployment Insurance Act? I have in mind the fact that at times when there were people who needed protection you wanted them covered out of the general revenue rather than raiding the Unemployment Insurance Fund?

Mr. ANDRAS: That is right.

Mr. KNOWLES: You urge us to pay pretty strict attention to the needs of the people in the groups I have now referred to, but you would urge that we try to take care of this situation without upsetting the provisions of the insurance or the earnings-related scheme that we have before us?

Mr. ANDRAS: I think every piece of social legislation must possess integrity. Perhaps I do not use the right word, but I think you know what I mean. I think it would not do the Canada Pension Plan any good if there were thrust into it people who did not logically belong there simply to get them out of

the way. I think they should be regarded as another kind of problem, and be looked after appropriately through another form of legislation.

Mr. KNOWLES: I hope, Mr. Chairman, that no one thinks I have been asking leading questions in order to produce a particular kind of result, and to avoid that let me make a brief comment. I have heard—I think it is in the newspapers now, but I heard it during a long distance telephone conversation with a friend in Toronto; as a matter of fact, a member of the Legislature in Toronto—of the submission that is going to be made to this committee by the Ontario Government. If I understand it correctly, that submission has already been tabled in the Legislature in Toronto. We all welcome the news that Ontario is going to stay in the plan. I welcome Mr. Robart's insistence that we concern ourselves about these particular groups that are not covered. I think he has said something about covering them under the Canada Pension Plan, but that is one of the reasons why I would like to have your opinion as a body which has had experience with the Unemployment Insurance Act. Your answer is that this should be dealt with, but dealt with under the appropriate machinery?

Mr. ANDRAS: Yes.

Mr. KNOWLES: I have one other question, although perhaps Mr. Lloyd's questioning and the answers he received cover it, and I may have missed it in part. As Mr. Lloyd indicated, we had before us yesterday the Railway Brotherhoods who told us of some of their particular problems. Incidentally, they expressed appreciation of the fact that the Minister of Finance has indicated that the federal Government plans legislation for the protection of plans that come under federal jurisdiction, comparable to that which is being done in the provinces. The main point they made was with respect to integration. They expressed the view that most, if not all, their members would like to have the Canada Pension Plan decked on top of their plan. They did not ask for legislation to make this compulsory but they did ask for consultation between employers and employees before an integration formula is decided upon. Would you say that would be the view of most, if not of all, unions affiliated to the Canadian Labour Congress, namely, that consultation is desired before any kind of integration is effected.

Mr. ANDRAS: We would like consultation as a minimum type of procedure between the employer and the trade union. Where we bargain collectively for our pension plans, we would want to negotiate an area as an appropriate area for negotiation between the parties. We also run into problems where the plan is outside collective agreements and in those circumstances also consultation is necessary.

Mr. KNOWLES: There is one question I should like to ask you, as to whether you are sure you are speaking for your membership, but I think that question would be a fictitious one because I know how these people are built up and I know the validity of your position with respect to the unions accredited to the trade union movement, namely, that a plan of this kind is wanted.

May I put it this way? In speaking for the organized workers, the likelihood is that you are speaking for most of the people in industry who have pension plans, and that if what you say is needed by the organized workers it is even more needed by the workers who are not organized.

Mr. ANDRAS: We agree, certainly.

Mr. MUNRO: Also, as a supplementary question, some of the sections of the C.L.C. members do not think too much of the private plans the organized workers already have.

Mr. KNOWLES: I had planned to ask some questions along those lines but after Mr. Lloyd had asked some questions I gathered the difficulties in some of

the departments of the C.L.C. in getting statistics of this point. I am aware of that difficulty. We found it a little disappointing in this committee not to be able to get information in this field. Also, we were disappointed in the wide range of answers. We have figures from 30 to 60 or 70 per cent as the number of people covered in plans. We find the percentage of plans is one thing and the percentage of people in the plans that exist is another thing. Then we found that the benefits provided under plans represented to us as good could scarcely measure up to that term.

I seem to be making a statement, but I may say we have become impressed in this committee with the fact that there is need for something that the private plans have not been able to do.

Mr. MUNRO: The fact that it will help the organized workers rather than the unorganized should indicate that the unorganized should hurry up and become organized.

Mr. JODOIN: I believe in that and we can offer a charter to members of the House of Commons—shorter hours.

Mr. BASFORD: I want to add my compliments to the C.L.C. on their brief which is at the usual high standard characteristic of the congress' legislative submissions. I hesitate to open my mouth, being one who defeated one of Mr. Knowles' colleagues. I am afraid I might deliberately be shot down in flames.

Mr. KNOWLES: Some of us do not mind taking one turn out, but we come back the next time.

Mr. BASFORD: I put some material on the record last evening on behalf of the professional firemen in British Columbia, who are required by law to retire at age 60. That brings us to paragraph 34. I do not see any specific recommendation here, but I wonder how you think we should handle this problem of forced early retirement? What amendments should we make to deal with it?

Mr. ANDRAS: Mr. Francis asked that a few moments ago and got a reply.

Mr. BASFORD: I am sorry. I had to leave the room. If it is on the record, it is all right.

Mr. ANDRAS: I tried to give some answers. Mr. Francis suggested this and I merely concurred. He was knowledgeable in his field, as you all know. The suggestion was to have a more extensive drop out provision. I suggested perhaps the plan might follow the American act in having a lower age of eligibility. There are probably other ways of doing it. I also said that changes in technology are occurring, and if there is a growing redundancy of workers, there are going to be pressures on earlier retirements than 65 and it may well be that, in the relatively near future, the Parliament of this country as a whole will have to review the whole concept of age 65 as the normal retirement age.

Mr. BASFORD: Thank you. I did not realize it had been answered before.

Mr. CANTELON: The questions I was going to ask have been pretty fully discussed in a most interesting and lucid manner by Mr. Andras, so I shall leave the questions altogether. There was a suggestion of a beginning age for students coming into the plan that would be higher than the beginning age for others. In other words, those years being crossed out altogether. It seemed to me that students, particularly those in the professional field, where they were higher and thought they would be around 60, would be starting around 22 or 23, so there would be a squeeze at both ends. Have you any views whether it would be advisable to have an older starting age in the plan for students, rather than the 18 which is envisaged?

Mr. ANDRAS: We raised that problem in our brief. I should like to take this opportunity to extend the statement. Our brief was written in considerable hurry, because your committee asked us to come more quickly. We talk about

students going from the high school into the university. We had in mind any kind of post-secondary school education, technical institute or vocational school and other institutions of that sort. If large numbers of our young people are to be encouraged to take these types of education, then I think you are quite right in suggesting that an age higher than 18 may be more appropriate than 18, as the experience of the next few years will indicate.

Mr. CANTELON: I am glad to have your expression along those lines. There has been much talk about appeals procedures. Are you familiar with the United States four-stage type of appeals machinery—first, that an appellant requests the social security administrator to consider his original determination; secondly, if he is not satisfied, he can claim to go before a hearing examiner of the social security administration; thirdly, if he is still not satisfied, he can further request a review of the examiner's decision by an appeals council; and fourthly, if he is still not satisfied, he can bring a civil action in a United States district court. I thought this might be interesting, to show how carefully they provide for an appeal in the United States. I wonder if you would suggest something like that in this bill?

Mr. ANDRAS: I think that in some respects we are ahead of the Americans. What you described to me sounded very elaborate and time-consuming. It seemed to me that there the appellant who has a claim is appearing before a quasi-judicial body. We would like something more flexible, closer to home. We are not accustomed here to the institution of civil proceedings. In our Unemployment Insurance Act we have a two-stage procedure, a board of referees and then the umpire. By and large, it seems to be working fairly well. Under workmen's compensation, there is an appeals procedure. I am not as familiar with that one, unfortunately. I do not specialize in that at all.

Mr. CANTELON: Some of my lawyer friends seem to think it is not too successful, but I really do not know.

Mr. ANDRAS: We are not at all anxious to give lawyers a living. We want to give claimants an opportunity to make an appeal as laymen, primarily to a lay body.

Mr. CANTELON: This was not the point. They said that the applicant very seldom seems to win the case.

Mr. BASFORD: I thought you stood for a fairly high level of employment. Surely you were referring to lawyers also?

Mr. ANDRAS: No.

Mr. BASFORD: They have a much better closed shop arrangement.

Hon. Mr. DENIS: I have only one question. In page 6 of your submission you give some examples of private plans benefits and you conclude to the effect that those plans are providing considerably more than what is contemplated under the Canada Pension Plan. I would like to ask you if you have taken into consideration the other benefits besides contribution in the rated earnings giving rise to a pension, if you have taken into consideration the benefits of the O.A.S., which is part of this plan. Have you taken into consideration other benefits such as the benefit in the case of death, the benefit to the disabled, the widow and the orphan, the portability and also the smaller range of contribution. I would also like to get from you whether you have taken into consideration those few advantages or benefits which I suggest are not provided by the examples you have given?

Mr. ANDRAS: Let me make it quite clear. We consider that the bill before you, or before Parliament, has a number of points of advantage. In fact, in my own notes they are numbered, and there are nine of them, which I am not going to read at this late hour, but we consider that they have points of

advantage that make them in the aggregate superior to a private pension plan as such, because there are not very many pension plans, for example, that provide widows benefits or survivors benefits. On page 6 of our brief we say:

> In private pension plans, particularly those which are known as the unit benefit type, it is possible to achieve a benefit equivalent to 60 per cent of earnings after 40 years with a unit of 1½ per cent of earnings.

Not all pension plans provide for 1½ per cent unit of earnings.

Hon. Mr. DENIS: Some get more and some less?

Mr. ANDRAS: Yes. I have here a letter, which I am not going to read now, dealing with a man who got a new job at age 52, and he is only going to have 13 years.

Hon. Mr. DENIS: But the first example you gave, after 40 years 60 per cent of earnings. What would it amount to after 10 years?

Mr. ANDRAS: In 10 years they would get 15 per cent.

Hon. Mr. DENIS: And you are giving 25 per cent?

Mr. ANDRAS: I know, but 15 per cent is no good, neither is 25 per cent good enough. With the old age security benefit, then, it depends on the amount of Canada Pension retirement benefit.

The CHAIRMAN (*Mr. Cameron*): Thank you, Senator Denis. I think that concludes the proceedings for this afternoon.

Before adjourning the meeting, I wish to express to you, Mr. Jodoin, Mr. Andras, Mr. MacDonald and Mr. Irvine, our appreciation of your attendance here this afternoon, for the brief that has been submitted on behalf of the Canadian Labour Congress, and for the explicit explanations that have been given and the information we have obtained, not only from reading the brief but from the discussions of this afternoon. We thank you most sincerely.

Mr. JODOIN: With your permission, Mr. Chairman, on behalf of the Congress, it remains for me to express our appreciation for the opportunity of appearing before this joint committee, although I was more attentive than exuberant, and rightly so, with the confidence I have in my colleagues in this field.

I was not surprised to find, with the presence of the members of the Senate and the Commons of our great country, that the questions were certainly pertinent. It is not always like that, but in this case it was.

I would hope that the representations we have made will be duly considered, because it is in the interests of all you and we represent in various fields. It remains again for me to say that on the principle itself, the predecessor of the congresses, the national labour centres in Canada, as well as this Canadian Labour Congress, have been advocating for many, many years past that such a portable universal plan would be established for the citizenry of Canada; and if the date here is to be 1966, well, let us hope it will be the most comprehensive plan certainly in the interests of all the citizenry of Canada. Again, we thank you, sir.

Mr. MUNRO: Mr. Chairman, I would like to make a motion to that effect, for the record, in appreciation of the Canadian Labour Congress for their support of this measure and for their helpfulness and courtesy in coming here today and answering our questions.

Mr. KNOWLES: I second Mr. Munro's motion with much pleasure.

Motion carried.

Mr. MUNRO: I cannot anticipate your question, Mr. Knowles, unless it is about the briefs. I am sorry that I forgot to mention this before, Mr. Chairman. About half an hour or so ago, Mr. Guitard called Mr. Coward and we were

advised that all the briefs were parcelled and mailed yesterday, but they have not yet been received here. If members will be content, the moment they are received they will be sent out in the mail to members, one to their House of Commons office and one to their home.

Mr. KNOWLES: That was the question I was going to ask.

The CHAIRMAN (*Mr. Cameron*): That is a satisfactory method of distribution.

The committee will meet again on February 1 next at 10 o'clock, in room 371.

Mr. CANTELON: Mr. Chairman, I assume we shall be hearing all the other briefs to be presented?

The CHAIRMAN (*Mr. Cameron*): Only two; the School Teachers Federation and the Canadian Construction Company. They have been asked to come, and they are to let us know. We have told them that they will take second place to the Ontario brief. If that brief occupies the full day, they will come the following day.

APPENDIX A32

A SUBMISSION TO THE SPECIAL JOINT COMMITTEE OF THE SENATE AND OF THE HOUSE OF COMMONS APPOINTED TO CONSIDER AND REPORT UPON BILL C-136

By
THE CANADIAN ASSOCIATION OF SOCIAL WORKERS
185 Somerset Street West
Ottawa 3, Ontario
January, 1965

INTRODUCTION

The Canadian Association of Social Workers is a country wide organization of professional social workers with a membership of approximately 3,000, with branches or provincial associations active in all ten provinces. Members occupy professional positions in a variety of agencies both government and voluntary.

A primary concern of the Association is the maintenance and development of qualitative social welfare services to all people who experience social need, including income needs as well as needs related to prevention, protection and rehabilitation. Therefore, it is interested in measures designed to advance the social security of Canadian citizens along lines which respect and preserve the dignity of individuals and groups.

The Association welcomes the opportunity to present some observations on the far reaching provisions of the Canada Pension Plan. Since the proposed legislation is detailed and complex these observations will be confined to those areas in which we have a particular interest.

ADVANTAGES OF THE PLAN

The Association strongly support the major objective of improving social security provisions for retirement income and of extending coverage to include disability and survivors benefits. While the legislation is no substitute for a comprehensive social security plan and while there appears to be serious weaknesses in its basic design the Plan does represent a significant advance toward achieving income security for large groups of wage and salary earners.

The Plan assures, with its contributory approach, both higher levels of retirement income and greater flexibility related to retirement age and living standards throughout the country than would be possible through sole reliance on existing universal pensions for the aged. The assurance of portability is a decided advantage over existing voluntary plans. The tying in of benefits to increases in the consumer price index provides some security against rising living costs. Attention given to achieving universal coverage reflects a desirable goal although the particular methods applied may be criticized. The Plan provides a device whereby most wage earners will be able to assure greater responsibility for their future financial security.

Over a period of years it should reduce the number of older persons between 65 and 70 who now require old age assistance. It should reduce, also, the number of persons over 70 who require supplementary assistance when the existing old age pension fails to meet minimum needs.

The extension of income provisions through a contributory approach, to widows, disabled people and orphans, breaks new ground. This approach establishes a pattern which should reduce substantially the number of people who are now provided for through categorical programs under provincial administration. In addition it should mean that many people who would not ordinarily qualify for public assistance will be assured less drastic changes in their standards of living when death or disability occurs.

The Plan tends to create a definite shift from provincially administered public assistance programs to a federally administered social insurance program. To the extent that this shift, in the long run, actually reduces provincial and municipal financial commitments for income maintenance provisions it provides an opportunity whereby provinces can concentrate on strengthening important social welfare services of a non-income nature for the aged, and for families, children and youth.

While the association is strongly critical of certain aspects of the Plan, as pointed out below, it considers that the new ground broken by it in attemping to integrate flat rate payments and contributory benefits offers an approach which can be extended and improved as experience is gained.

LIMITATIONS OF THE PLAN

The limitations of the legislation, from the point of view of our Association, relate primarily to the inadequate *security* provided for low income groups and the regressive nature of the pattern for contributions. Some of the limitations are, in part, an inescapable aspect of any contributory insurance approach. On a basis of contributions it is extremely difficult to assure a satisfactory level of income to the very sizeable number of people who are in and out of employment, whose earnings are low and whose ultimate benefits are bound to require supplementation.

The legislation appears to be reasonably satisfactory as a retirement plan for perhaps three quarters of the working population. It does little for those who are on marginal or sub-standard wages or whose employment is irregular. Despite the steps taken in the Plan to reach these groups and to ease them into the benefit stream the end result is totally inadequate. As so frequently happens in social security legislation the poor are left in their poverty and the major benefits accrue to the stronger income groups.

Once we assert that a minimum level of income is essential for every individual and family then within any social security plan a major objective should be the assurance that those least able to meet contingencies are adequately provided for. If substantial numbers have their basic needs partially protected through social insurance they have to rely in the end on public assistance in any case, thus perpetuating an unreal distinction between those who are "self supporting" and those who are not.

While the Association recognizes that no pattern of social security is likely to remove completely the above distinction it believes firmly that the proposed legislation does not go far enough in this direction. Despite the steps taken to build in safeguards the Plan tends towards having the lower income groups contribute to their own social security with inadequate benefits in the end under what appears to be regressive taxation. Furthermore, it appears that insufficient attention has been given to taking full advantage of the flat rate benefit principle which has proven its worth in our existing old age pension system and integrating this principle with the contributory approach.

Specifically the Association is critical of the $5,000 income ceiling for contributions since it tends to transfer much of the burden of social security from the general tax-payer to the lower income groups. Questions can be raised, also, as to whether the $600 exemption from assessments is sufficiently high for

the lowest income groups; particularly since many of these would not normally pay income tax.

The Association appreciates the several steps taken in the legislation to strengthen the social aspects of the insurance approach, particularly the flat-rate payment of $25 per month for supplementary benefits. There does not, however, appear to be any clear rationale for setting different levels of flat-rate payments for different categories of people when their basic need for income is the same.

In the above our concerns is primarily directed toward the substantial groups of low income people for whom the Plan makes inadequate provision and whose benefits when available will be below a minimum level. There appears to be a real likelihood that while the financial commitment under provincially administered public assistance schemes may be less, there will be a large number of people who will require income from two sources—contributory benefits and public assistance. This is likely to be so with respect to supplementary benefits and for those who for one reason or another are forced into early retirement. In addition the Plan provides no income security for wives and dependent children of bread-winners who become incapacitated.

Since the Plan is complicated in relationship to both contributions and benefits and involves a variety of choices the individual will find it difficult to know or to understand his rights, his opportunities and his responsibilities. The 25 per cent of people who will benefit least from the Plan and who are the greatest concern of our Association are those most likely to require help in understanding the Plan as well as being in the greatest need of financial security. The legislation makes no mandatory provision, at government expense, for information, guidance and counselling and advice with respect to the Plan itself. Such services are deemed essential for all beneficiaries, not only for the 25 per cent for whom we have a special concern.

The Plan appears to assume that all the insured are equally capable of handling appeals, and that their interests are protected through the proceedings described in Division "F". This is a doubtful assumption. All individuals should be safeguarded against the pitfalls and dangers of bureaucracy. The more complicated the system for computing benefits, the greater the need for such safeguards. Persons in the lowest income brackets include many who are least capable of handling their problems because of physical, mental or social disability.

SUGGESTIONS FOR SAFEGUARDING THE SOCIAL PURPOSES AND RIGHTS OF INDIVIDUALS AND IMPROVING THE RELATIONSHIP BETWEEN THE PLAN AND SOCIAL SECURITY IN GENERAL

The individual should be guaranteed availability of advice, information, guidance and counselling, at government expense, which will ensure information services of high quality and which could prevent the victimizing of the insured by private operators who could exploit the absence of responsible information services under government auspices. Information, advice and guidance given through the Income Tax Department regional offices and Unemployment Insurance and National Employment Service offices, provides some indication of the importance of such services.

The procedure for handling appeals should include a mandatory provision of advice, information and guidance to applicants on how to proceed with an appeal, if they desire and need such service. An applicant should be permitted to choose a friend to represent him at the hearings, as well as appointing a member of the Review Committee.

A report on the state of the Canada Pension Plan account, for the information of Parliament, is to be made by the Chief Actuary of the Department of Insurance to the Minister of Finance, at least once in every five years. It is most

important that a similar but separate and independent report, prepared by a Committee competent to carry out a responsible social audit, be made to parliament at the same time as the financial report from the Chief Actuary. Such a social audit should include a report on the effectiveness of the Plan in achieving the social purposes and functions of the Plan as related to the social security of Canadians, and should be submitted to the Minister of Welfare for presentation to the House of Commons.

The effectiveness of this Pension Plan is directly related to all other programs of service and income maintenance provisions. It is essential that rehabilitation services, personal counselling services, educational services, a housing program and other welfare services be considered as equally important facets of a total social security program in Canada. It is most desirable, therefore, that the entire network of social assistance and social welfare measures in Canada be reviewed with a view to ensuring a broad social security program which will meet the needs of all Canadians, regardless of financial status.

January 5, 1965.

RELATIONSHIP OF EARNINGS TO DOMESTIC VALUE ADDED

(Canada by Major Industry—1961)

Industry	Domestic Value Added	Excluding Interest Component	Total Earnings	Total Earnings as a Percent of column (2)	Total Earnings as a Percent of column (3)	Wages and Salaries	Wages and Salaries as a Percent of column (2)	Wages and Salaries as a Percent of column (3)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(All money figures in $ millions)					
Agriculture	1,257	1,209	1,202	95.6	99.4	193	15.4	16.0
Forestry	348	338	314	90.2	92.9	283	81.3	83.7
Fishing and Trapping	71	71	71	100.0	100.0	25	35.2	35.2
Mining, Quarrying and Oil Wells	944	931	547	57.9	58.8	541	57.3	58.1
Manufacturing	7,332	7,245	5,505	75.1	76.0	5,303	72.3	73.2
Construction	1,665	1,643	1,520	91.3	92.5	1,251	75.1	76.1
Transportation	1,669	1,609	1,432	85.8	89.0	1,348	80.8	83.8
Storage	75	74	57	76.0	77.0	57	76.0	77.0
Communication	652	610	454	69.6	74.4	454	69.6	74.4
Utilities	849	451	353	41.6	78.3	353	41.6	78.3
Wholesale Trade	1,412	1,372	1,126	79.7	82.1	1,073	76.0	78.2
Retail Trade	2,793	2,572	2,311	82.7	89.9	1,664	59.6	64.7
Finance, Insurance and Real Estate	2,926	1,479	931	31.8	62.9	862	29.5	58.3
Service	4,250	4,013	3,895	91.6	97.1	3,028	71.2	75.5
Sub Total	26,243	23,617	19,718	75.1	83.5	16,435	62.6	69.6
Public Administration and Defence	2,514	2,514	2,284	90.9	90.9	2,284	90.9	90.9
TOTAL	28,757	26,131	22,002	76.5	84.2	18,719	65.1	71.7
Net Non-Financial Imports		54						
Estimated Net Interest Received		2,550						
Value Added Tax Base		28,735	(Income type of base with export-import adjustment)					

NOTES:

(1) Supplementary Labour Income of $320 million has been removed from total earnings and from Wages and Salaries. Minor parts of the adjustment by industry are approximate.
(2) The inventory valuation adjustment of $91 million downward has been pro-rated against the net total of this item and the capital consumption allowances.
(3) No adjustment has been made for imputations which have important effects in the case of agriculture and finance, insurance and real estate.
(4) The impact of a payroll tax on wages and salaries or an earnings tax on total earnings may be assessed easily in relation to value added (including or excluding the interest columns) by reference to Columns (5), (6), (8) and (9).
(5) This type of table may be prepared quite readily for any year from 1926 to 1963.
(6) Total earnings include the investment component of self employment income. Unfortunately information required to remove this is not available.

SOURCES—The National Accounts and Canadian Statistical Review.

W. M. Anderson
January 20, 1965

APPENDIX A34

SUBMISSION BY THE CANADIAN LABOUR CONGRESS TO THE SPECIAL JOINT COMMITTEE OF THE SENATE AND OF THE HOUSE OF COMMONS APPOINTED TO CONSIDER AND REPORT UPON BILL C-136 (CANADA PENSION PLAN)

1. This submission is made to you by the Canadian Labour Congress, the major trade union centre in Canada. The Congress represents through its affiliated and directly chartered organizations more than one million members of trade unions in every part of Canada. One of its principal functions is to act as the collective expression of the views of these members on such issues as social legislation. Bill C-136 is a matter of such major consequence to the working people of Canada, to trade union members as well as non-members, that we consider it appropriate to appear before you today and to submit our views on this proposed statute.

2. We wish to state at the outset that we concur in general with most of the principles embodied in this Bill. If we understand them properly, they are the establishment of a wage-related system of old age security for the great majority of the members of the labour force, including the self-employed; the establishment of disability benefits, survivors' benefits and death benefits supplementary to the old age security benefits; the financing of all such benefits through wage-related contributions on employers, employees and the self-employed; the establishment of some element of funding; the financing of the aforementioned benefits exclusively from the contributions made by the contributors; and amendments to the Old Age Security Act to make reduced benefits available at ages between 65 and 70. There are other aspects of the Bill which deserve mention, such as the appeals procedures, which we deal with below.

3. We favour Bill C-136 as a generality because it will provide, for the first time, a system of wage-related benefits to members of the labour force on a virtually universal scale. We consider this to be a significant gain for the working force of this country for two reasons. The first is that it will set standards of benefits which bear some relationship to the standard of living enjoyed by the beneficiary prior to retirement. (This will be so only to a limited extent in view of the present maximum ratio of benefit to previous earnings on which we have more to say below.) The second and perhaps even more important reason is that a very considerable number of wage and salary-earners and self-employed, who are now not covered by any private pension arrangement, will hereafter be assured of at least a modest income on retirement, such income having some relevance to what they had earned before.

4. We do not wish to diminish the value of the Old Age Security Act as a social security measure. But the flat rate benefit which is its principal characteristic means that the benefit itself has no specific relevance to the standard of living which the beneficiary had previously enjoyed. It has the merit of universality but none of the value of relating the benefit either to previous living standards or to need. Since one of the important values of income maintenance in retirement is that the recipient should be able to enjoy his leisure without suffering at the same time a disastrous reduction in income, the Old Age Security Act falls short of the mark for many. At the same time, however, we look to the Old Age Security Act as an important substructure for the Canada Pension Plan. It will mean for that part of the working population covered by the Canada

Pension Plan that there will be an expectation of two benefits, the old age security benefit and the Canada Pension Plan benefit. Together they will serve to offset to some extent the drop in income which inevitably occurs on retirement even when there is a private pension plan in effect, or the possible complete loss of income which occurs when there is forced retirement without any private provision for old age security at all. The double benefit will be proportionately of greater value to those with low than with high incomes.

5. Another aspect of the Canada Pension Plan which commends itself to us is its complete portability. Not only have private pension plans failed to reach more than a limited part of the work force but they have failed in the case of many workers to provide what they were ostensibly designed for: a pension on retirement. Because of the restrictive features of most private pension plans, such as their requirements for eligibility, and more particularly their vesting provisions, a worker may emerge from employment with one or more employers with pension plans without acquiring any pension entitlement whatever. Private pension plans have thus either penalized the mobile worker by depriving him of all or part of the pension credits that might otherwise have been established on his behalf or inhibited the worker from engaging in that mobility which is an essential feature of a dynamic economy. In short, the limited degree of portability in private pension plans is one of the major criticisms which have been directed against them. The Canada Pension Plan overcomes that problem by allowing the worker to move freely from job to job with the full knowledge that regardless of the moves he makes during his working life contributions made by his employer and himself to the Canada Pension Plan will ultimately result in a pension benefit (or an alternative form of benefit should he become disabled or fail to survive to the normal retirement age).

6. There are other features in the Bill which we consider desirable. These include:

(1) The automatic adjustment of the amount of contributory earnings to the changes in average earnings in the economy as a whole;

(2) The benefit formula which connects wage-relatedness to the general level of wages at the time of retirement;

(3) The measure to maintain to some degree the real purchasing power of the pension;

(4) The opportunity to earn some income following retirement without loss of benefit; and

(5) The opportunity to obtain the old age security benefit at any age between 65 and 70, although on a permanently reduced scale.

7. All these features help to make the plan attractive despite its shortcomings which we discuss below. Another point in favour of the plan is the bias both in the contribution rate and in the benefit in favour of the lower income worker; we refer to the exclusion of the first $600 of wage-income from the contribution rate (which is of benefit to his employer as well).

8. We are pleased also that the Canada Pension Plan will provide for disability benefits and benefits to the widow and orphans of a contributor, benefits for disabled widowers, and a death benefit. Bill C-136 thus takes under its auspices a large section of the population who are likely to be affected by old age, disability or death of the bread winner. This is a major advance in our social security structure and is to be welcomed as such.

9. We would not wish you to conclude, however, that we consider Bill C-136 in its present form as an ideal representation of social legislation dealing with old age, disability and survivors' benefits. In our opinion, it contains the following short-comings:

(1) The ratio of benefit to earnings, that is, the degree of wage-relatedness in the old age benefit, is too limited;

(2) The plan provides for funding on a substantial scale;

(3) The fund is derived in large part from those least able to contribute to it;

(4) The plan is by its nature regressive in that the principle of transfer payments which is inherent in social security measures is unduly restricted and favours those with the greatest ability to contribute;

(5) The supplementary benefits are low absolutely and by comparison to similar benefits now available under social assistance programs.

10. Bill C-136 proposes a benefit, at the end of the transitional period, of 25 per cent of earnings. At present this 25 per cent is based on a ceiling of $5,000 but this dollar ceiling is subject to adjustment as the level of average earnings changes. We will confine ourselves therefore to the percentage ratio rather than to the dollar maximum.

11. One of the major concerns of any worker anticipating retirement is necessarily how much income he can expect to enjoy upon retirement. Assuming that there will be some income, such as a private pension plan, the next question is whether the income will be adequate to maintain a reasonably comfortable life or will entail a sharp departure from former living habits. It is worth noting that the Parliament of Canada makes possible a superannuation benefit of as high as 70 per cent of earnings based on the average of the six best consecutive years prior to retirement to its civil servants. In private pension plans, particularly those which are known as the unit benefit type, it is possible to achieve a benefit equivalent to 60 per cent of earnings after 40 years with a unit of 1½ per cent of earnings. The Unemployment Insurance Act now undertakes to provide for the unemployed claimant with a dependent a benefit of about 50 per cent of previous earnings and the Committee of Enquiry into the Unemployment Insurance Act (Gill Committee) has recommended that this be raised to 60 per cent. The Workmen's Compensation Acts in the various provinces provide for a ratio of 75 per cent of earnings (subject to predetermined dollar ceilings). It is evident from these examples that various income maintenance programs provide considerably more than what is contemplated under the Canada Pension Plan. It might be worth while also to examine ratios of benefits to earnings in other industrialized countries which have introduced similar legislation and for this purpose we have included Appendix "A" in this submission.

12. It may be seen from Appendix "A" that the ratio of benefit to earnings in a number of countries with economies similar to ours is very much higher than is provided in Bill C-136. It is obviously a matter of public policy in these countries that the worker on retirement should be assured of a level of benefit which by itself should provide at least a modicum of security in old age. This cannot be said about the proposed ratio of benefits in the Bill under consideration. Setting aside the transitional period, the full 25 per cent rate will mean a sharp drop in income for most workers who at age 65 or subsequently are forced to withdraw from the labour market and must look to the Canada Pension Plan and to the old age security benefit for their retirement income.

13. Even when taken together, the retirement benefit under the Canada Pension Plan and the old age security benefit do not make a substantial ratio of benefit to previous earnings except at the lower levels of the income scale. As the following table illustrates, the ratio drops as earnings rise. We have assumed that the typical pensioner will choose to draw his old age security benefit at age 65, along with his retirement benefit.

Monthly Earnings	Retirement Benefits	Old Age Security Benefit Single	Old Age Security Benefit Married	Ratio of Benefits to Earnings as Percentage Single	Ratio of Benefits to Earnings as Percentage Married
$100	$ 25	$51	$102	76 %	127 %
200	50	51	102	50.5	76
300	75	51	102	42	59
400	100	51	102	37.7	50.5
500	104.17	51	102	31	41.2

14. We submit that the target of wage-relatedness should be very much more than 25 per cent and that the ratios established by other countries support this viewpoint. If asked to suggest a figure we would reply that a beneficiary and dependent spouse should, on retirement, be assured of an income under the Canada Pension Plan of not less than 75 per cent of his previous income, when the old age security benefit is taken into account as well. We would be prepared to support, as an alternative, a formula under which the amount of benefit and hence the ratio would be variable inversely with previous income, so that low wage earners would retire with a rather higher and high wage earners with a rather lower ratio of benefit to earnings. This principle is already well established under the Unemployment Insurance Act. Assuming such levels of benefit, the supplementary benefits would presumably fall into place at correspondingly higher levels than now being proposed.

15. You will undoubtedly suggest to us that we have over-simplified the situation and that a good many workers will enjoy the benefit of income derived from private pension plans. Our reply to this is two-fold. In the first instance, there are various categories of workers whose chances of becoming members of pension plans or of accruing benefits under plans even while covered are very limited. These include: workers employed by marginal employers; workers employed by small employers; seasonal workers; workers with a high rate of mobility. In addition, there are those workers who, although regularly maintaining their employee status with the same employer and covered by a pension plan, may be laid off sufficiently often during the course of their working life to emerge at retirement with a relatively limited accumulation of pension credits. In 1960, 50 per cent of those in the labour force with employee status were employed by employers who had one or more pension plans in effect ("Pension Plans, Non Financial Statistics, 1960"; Dominion Bureau of Statistics, November, 1962). Even allowing for the fact that there has been some increase in this figure in the last four years, it is clear that a very considerable proportion of the employed working population is still without coverage and it is worth remembering that even in those establishments where there are pension plans in effect, some employees will not be covered for a variety of reasons.

16. Our second position in connection with private pension plans is that, while recognizing their value towards income maintenance in old age, we believe that they should supplement a public program rather than let the public program supplement the private one. We take this position for the reasons that we have set out above, namely, that private pension plans are deficient in their ability to effect universal coverage, to provide portability and even to assure the payment of a benefit at the end of a working life. As long as the public program is the main program and provides a reasonable assurance of security in old age, the private pension plan can and should properly play the secondary role of rounding out the provisions for old age security.

17. It is already becoming clear, and it was anticipated in the White Paper, that private pension plans would be integrated with the Canada Pension Plan. We use the word "integration" with some hesitation in view of its lack of precision within the context of this discussion. The ordinary dictionary meaning

of to integrate is to make whole or complete by adding or bringing together parts or to put or bring parts together into a whole or to unify. But an examination of the current discussions on integration indicates that what is actually meant is some arrangement whereby the benefits under private pension plans are to be reduced, at least in terms of future service benefits, to the extent that the Canada Pension Plan will produce benefits. Accordingly, to the extent that employers are successful in effecting such a change in their pension plans, integration will actually amount to offsetting, that is, the future service benefits in the private pension plan will be reduced in whole or in part by the amount of benefit that will be available to the participating employee under the Canada Pension Plan. For workers in such circumstances, the Canada Pension Plan does not promise any improvement in old age security, except to the extent that the public plan is wholly portable and fully vested. The presumption, therefore, that the 25 per cent public plan will enhance any private plan may turn out to be somewhat illusory. In any event, in a rapidly changing economy, where technological innovation and automation render almost any job tenure questionable, it may be well to re-examine whether or not private pension plans in their present form are a barrier to rather than a means of making possible a flexible labour force. We are not suggesting that labour mobility is entirely related to whether or not there is a pension plan in effect; we recognize that there are a good many factors involved. But to the extent that it is desirable or that it becomes necessary for workers to change their jobs perhaps two or three times or even more during their working life, the advantage of a public plan with a relatively high ratio of benefit to earnings, with the attendant advantages of portability and vesting, become obvious when compared to a rather limited public plan with an undue emphasis on private pension plans with all their well known deficiencies.

18. In establishing the 25 per cent ratio of benefit, no consideration was given apparently to the fact that what was a low rate of pay in the first instance will produce a benefit that is inadequate as a consequence. We have merely to examine the rates of benefits used for purposes of illustration in the White Paper. Thus, when the plan is mature, average monthly earnings of $100 will produce a monthly benefit of $25; $200 wil produce a benefit of $50; and so on. Even allowing for the old age security benefit as we have done above (which would be sharply reduced if taken as early as age 65), the total income for those relying exclusively on it will still be low by commonly accepted standards.

19. We believe it is fair to state that in Canada the preoccupation of governments in the case of social legislation has been to provide subsistence but not much more. Insufficient account has been taken, in our opinion, of the need to relate social benefits to the expectations of the society as a whole as to what are appropriate living standards and of the view that such standards should be a reflection of the capacity of the society to produce wealth. It has been well stated that "the level below which the individual is not permitted to fall must be defined in terms of the wealth and standards of the community of which he is a member" ("The Meaning of Social Security" by Professor H. Scott Gordon, *The Business Quarterly*, Winter, 1954 issue; published by University of Western Ontario). Accordingly, even if we were to agree (which we do not) that the 25 per cent ratio was generally adequate, we would still argue that it is not likely to be adequate in all cases. We would therefore submit that in a scheme of this sort consideration should be given to the social policy that the income of no one should be permitted to fall below a certain minimum, a minimum which we will for purposes of convenience merely describe as one which provides a health and decency standard of living. It is only when everyone is assured of such a minimum income and when the minimum is not

only absolutely adequate but relatively so as well that there can be a true sense of security from an economic standpoint. Such security is not only desirable but necessary. "Both security and change are necessary in our modern world, and to find the right balance is a continuous problem of adjustment (and also, rightly, a continuous matter of political dispute). The demand for security arises from simple and basic human needs. Even if it be granted that men require variety and change in their lives, there are limits beyond which the uncertainties of excessive change lead to breakdown. Only from within a certain stability is change possible" ("God and the Rich Society" by D. L. Munby, Fellow of Nuffield College, Oxford; Oxford University Press, 1961). We are not concerned here with the techniques whereby such a minimum may be written into this legislation. We merely submit to you the concept as a necessary principle in the evolution of the social security system in our country.

20. Not only is the rate of benefit inadequate but it is clear that the cost of providing the benefit is excessive by virtue of the fact that the 1.8 per cent each on employers and employees and the 3.6 per cent on the self-employed will over a period of ten years produce a fund of about $4 billion according to the White Paper and from $6 billion to $8 billion at the end of 20 years according to the testimony before you of the Minister of National Health and Welfare (Minutes of Proceedings and Evidence, No. 1, p. 43). We understand that in the field of social insurance there are different approaches to the question of full funding, partial funding or operating on a pay-as-you-go basis. Attitudes vary with the type of social insurance program that is contemplated. Under unemployment insurance legislation, for example, the existence of funds is a commonplace. In workmen's compensation, funds are to be fund under the Workmen's Compensation Acts of all the Canadian provinces. The situation, however, is different in the case of social insurance dealing with old age security. There a funded plan is the exception rather than the rule, and, as the Minister of National Health and Welfare herself said to you, Sweden is the only country which has developed a fully funded plan. In the United States, the comparable legislation, the Old Age, Survivors and Disability Insurance Act, is partially funded although it was conceived of as operating on a pay-as-you-go basis.

21. We submit that from the technical point of view there is no merit in having a funded Canada Pension Plan. While there presumably should be contingency reserves at any given time to take care of unforeseeable demands for benefit payments, this is not to be equated with funding in the technical sense of that term. The Canada Pension Plan, like other legislation of its kind, is what might be described as an open-end scheme, that is, it is not conceived as having a terminal point; there would presumably always be beneficiaries and contributors and the Parliament of Canada would always be able to exercise its fiscal powers to effect necessary adjustments to meet the needs of the program. But it is not our purpose to press this point since the fund involved here is not one which will come into being because of a decision that the Canada Pension Plan should be a funded plan but because of an arrangement arrived at between the Government of Canada and the Governments of the various provinces. It is therefore a fund to meet other than actuarial specifications.

22. As we understand the situation, the fund which will accumulate over the next ten years will be made available to the participating provinces according to a formula set out in the Bill. The provinces will presumably use the monies so made available for socially desirable purposes. At any rate we would hope that this was in their minds when they agreed to participate in the

Canada Pension Plan and to accept the principle of having a fund of the dimensions indicated above. But we have some reservations in this connection.

23. The Canadian Labour Congress has for the past few years advocated an expansion of the public sector of our economy for two principal reasons. The first was to achieve a more dynamic economy generally and to bring about a situation of full employment or as close to full employment as was possible. The second was to provide the community with those facilities and services which can best be provided through government action and which are still lacking in whole or in part. We have in mind such matters as an expansion of health facilities and personnel, improved educational opportunities and facilities, extended social benefits, resource conservation programs, and so on. To the extent that the $4 billion fund is likely to be used by the provinces for these types of activities, it is to be welcomed. These are necessary programs and money should be found for them regardless of whether or not there is a Canada Pension Plan. The main issue here, however, is the equity of the burden in producing such a fund. We are not convinced that the mechanism of the Canada Pension Plan in its present form is the way to obtain funds for these public purposes. With contributions being required from employees earning as little as $600 a year, it must be obvious that those who are being required to establish the fund are among those in our society least able to do so. Since contributions cease at the $5,000 ceiling (or this ceiling as periodically adjusted), contributions are not being required beyond a limited extent of those who would be in the best position to contribute towards the establishment of the fund in question. We regard the establishment of this fund, therefore, as one which imposes unnecessary and unjustifiable economic sacrifices on that part of the population which normally looks to the taxation system for relief rather than additional burdens. If the Canada Pension Plan had not been loaded with the cost of establishing this fund, then it seems reasonable to assume that the contribution rate could have been set at a figure lower than 1.8 per cent for employers and employees or 3.6 per cent for the self-employed.

24. We wish to make it clear, if we have not already done so, that we are not in favour of funding an old age security system such as the present one. We recognize the need for some element of funding whether for contingencies or in order to provide a level rate of contributions for a reasonably long period of time. But we do not consider it necessary for a public system of insurance to possess the same degree of actuarial soundness and solvency that is appropriate for private insurance schemes. We submit, as we have on other occasions, that social insurance is not to be equated with commercial insurance and need not be subjected to the same rigorous conditions of funding and solvency because it is not a commercial enterprise and not subject to the ordinary rules of insurance. Where commercial insurance follows the ordinary criteria of the market place, a social insurance program will normally include social policies which would be unsound in a commercial scheme. A public program can, for example, deliberately include bad risks or provide for internal cross-subsidy or public subsidy where a private scheme must of necessity avoid if at all possible the inclusion of bad risks or adverse selection if it hopes to survive. A private scheme requires a fund in order to guarantee its obligations since no private organization can be absolutely certain of its own continued existence. A public plan, as already indicated, may look to public funds if and when needed. For these and other reasons, it is not necessary to examine social insurance programs in the light of the standards required in the private insurance industry. It follows that a fund should not have been necessary and it is our view that the government is in effect in agreement with our position since the fund is not being established for the conventional

reasons which we have described but because of a political arrangement to make the Canada Pension Plan itself a viable undertaking.

25. But having said all this, we wish to rebut the notion that this fund will have an adverse effect on private capital formation, as has been suggested in some quarters. You have merely to examine the table on page 151 of the Minutes of Proceedings and Evidence of this Committee with regard to Gross National Product. Assuming a fund of $4 billion in the first ten years of the Canada Pension Plan, this would mean accumulation on the average of $400 million a year. This would represent only 5.3 per cent of the gross private investment at its 1963 level of $7.5 billion. The Department of Finance has projected a G.N.P. for 1975 of $88 billion. If this figure is correct, and if gross private investment is maintained even at about 18 per cent of G.N.P. (which has been the rate for the past several years) it would amount to about $16 billion in 1975. Therefore, by 1975 the yearly average growth in the Canada Pension Plan fund of $400 million would be only 2.5 per cent of gross private investment. (Source: D.B.S. "National Accounts, Income and Expenditure"; and "Economic Implication of the Canada Pension Plan", by Department of Finance.) Moreover, far from hindering private capital formation, large-scale public investment, by providing employment and income, can stimulate investment in the private sector of the economy. If we seem to have digressed, it is because we wished to make it clear that it was not public investment to which we objected. It was to the way in which the projected fund is being obtained.

26. Quite apart from the whole question of establishing a fund and the inequities which it will create, is the inherently regressive nature of the type of program which imposes a so-called proportional tax and which in addition applies a ceiling on the amount of income that is to be taxed. In this instance, this is tempered somewhat by the fact that the first $600 of income is not taxed and this affords rather more relief to the low income wage earner than would otherwise be the case. But the fact remains that as income rises above the $5,000 mark, the proportion of income actually contributed is reduced. For purposes of illustration we have constructed the table which follows:

Total Annual Earnings	Contributory Income	Annual Contributions	Contributions as % of Total Earnings
$ 1,000	$ 400	$ 7.20	.72%
2,000	1,400	25.20	1.26
3,000	2,400	43.20	1.44
4,000	3,400	61.20	1.53
5,000	4,400	79.20	1.58
6,000	4,400	79.20	1.32
7,000	4,400	79.20	1.13
8,000	4,400	79.20	0.99
9,000	4,400	79.20	0.88
10,000	4,400	79.20	0.79

27. It may be seen from the foregoing table that for the employee at the bottom of the wage scale the contribution as a percentage of total earnings is relatively small, equivalent to one half of what is required at the $3,000 level. The maximum contribution in terms of percentage of earnings is made at $5,000; thereafter the proportion of contributions to earnings diminishes. We find consequently that as total earnings go above the present $5,000 ceiling, the employee receives, other things being equal, the same maximum benefit in return for a steadily decreasing proportion of his total earnings. This brings

to mind the Biblical adage that: "unto every one that hath shall be given..." except that in this present context it is not a matter of commendation. Under a system of progressive taxation, such as the income tax is supposed to be, the impact of taxation is presumably more strongly felt as income rises. In the case of the Canada Pension Plan, the situation is by and large the reverse. Admittedly this is offset by the fact that the old age security benefit will constitute a larger proportion of previous income for the low income earner than for the higher one and the benefit under the Canada Pension Plan flattens out at the $5,000 level but the regressive aspect of the plan is preserved nonetheless.

28. There is the tendency for such plans to be regressive in other ways as well. To the extent that the Canada Pension Plan represents a transfer payment, the transfer is being effected not from the relatively well-to-do to the relatively poor but from people with relatively modest incomes to those with relatively low incomes. In plain terms, the better paid worker is being asked to look after his less well paid brother. This has been brought out by Dr. Margaret S. Gordon ("The Economics of Welfare Policies" by Margaret S. Gordon, Associate Director of the Institute of Industrial Relations, University of California, Berkeley; Columbia University Press, 1963). She states: "It is sometimes contended that public welfare programs achieve only horizontal, rather than vertical, income redistribution, since they are (after account is taken of tax shifting) financed largely by the wage-earning class for the benefit of the wage-earning class. This ignores the fact, however, that the beneficiaries tend to be at the lower end of the income scale *within* the wage earning class... To the extent that vertical income redistribution occurs as a result of welfare programs, it tends to be largely from average workers to families whose capacity to participate in the labour force is, for some reason, impaired" (p. 24). Referring to various studies made she goes on to say: "It should also be noted that the marked increase in the relative importance of social insurance programs has tended to make for more regressive over-all financing of welfare programs, although this should not necessarily be interpreted as an argument against the social insurance approach" (p. 26).

29. In her chapter on "The Old-Age, Survivors, and Disability Insurance Program" in the United States, Dr. Gordon raises the issue which to us is pertinent here also, namely, the desirability of some support for the program from general government revenues. In this respect Dr. Gordon has the following to say:

> "The general principle that OASDI should be financed primarily by contributory taxes is seldom questioned, but there is a substantial body of opinion, perhaps particularly among economists, in favor of providing part of the support for the program through general government revenues, rather than relying solely on contributory taxes...
>
> "In favor of some degree of support for the program from general government revenues, the following arguments have been advanced.
>
> "1. The contributory taxes are regressive in their impact, particularly when account is taken of the shifting of the employer portion of the tax. The extent to which the employer will be in a position to pass the tax along to the consumer in the form of a higher price will vary with business conditions, the character of the demand for the product (whether it is elastic or inelastic), and other factors, but the strength of inflationary forces in the last few decades has been such that most employers have probably been in a position most of the time to respond to an increase in the payroll tax by raising the prices on their products. Under these conditions employees also pay the employer portion of the tax in

their capacity as consumers, though its incidence will be somewhat different from that of the employee contribution. Greater reliance on general revenues of the federal government, derived primarily from the progressive income tax and the corporate profits tax, would result in distributing the OASDI tax burden more in accordance with ability to pay and would thus enhance the income-redistribution effects of the program.

"2. When the employer encounters consumer resistance to price increases, because of a recession, foreign competition, or for other reasons, he is likely to attempt to shift the payroll tax to his employees by resisting wage increases or by introducing labor-saving changes in production methods which will make possible a reduction in his work force...

"3. The contributory OASDI taxes have the disadvantage, in common with other types of earmarked sources of revenue, of limiting the power of Congress to determine how much should be spent on OASDI in relation to all other government programs. The amount available from the earmarked source at any particular time may be more or less than Congress might have appropriated for the program if the amounts had had to come at least partly out of general government revenues. In other words, Congress would be more likely to vary expenditures on the program in the light of needs of the beneficiaries and the impact of the program on the economy if a portion of the funds were appropriated from general revenues as is done in many European countries.

"4. It is inconsistent with the general purpose of contributory taxes to force workers who will be covered by the program over a long period of years to pay taxes which reflect the full costs of unearned benefits of persons who have retired or will retire on the basis of minimal periods of coverage.

To sum up the situation, the generally favorable experience with earnings-related contributory taxes in the last few decades has played a significant role in inducing a shift of sentiment, both on the part of economists and other groups, away from former antipathy based on their regressive character. Nevertheless, the likelihood that a combination of payroll taxes plus employer contributions to private employee benefit plans is having adverse effects on employment, at least in the short run, is a problem of growing concern, and there are strong arguments for some type of contribution to OASDI from general government revenues, as is the common practice in the financing of social insurance schemes in western Europe.

30. We agree with Dr. Gordon that the arguments she has produced do not necessarily represent an argument against the social insurance approach. But they do indicate that social insurance, however desirable, has features which are less than equitable and ought to be remedied. We are in agreement with her view that there ought to be an element of public contribution to supplement the contributions made by employers, employees and the self-employed. There is already a strong precedent for this in the Unemployment Insurance Act under which the unemployment insurance fund receives from the general revenues of Canada 20 cents for every dollar jointly contributed by employers and insured employees. (The government in addition pays the full cost of administering the Act.)

31. To the extent that our general system of taxation is progressive, the part-financing of the benefits from general revenues would mitigate the regressive aspects of the proposed Canada Pension Plan, which we have touched

on above. It would furthermore be easier to justify the $4 billion fund on the grounds that at least some of the money going into the fund would be derived from taxes on those in a better position to make contributions than the low-income wage-earners and self-employed who are now being called upon to contribute. It is to be noted that the following countries with old age security social insurance schemes provide government contributions: Austria, Belgium, Brazil, Chile, Colombia, West Germany, Greece, Israel, Italy, Japan, Luxembourg, Mexico, Netherlands, Switzerland and the United Kingdom (Source: "Social Security Programs Throughout the World, 1964", published by U.S. Department of Health, Education and Welfare, Washington, D.C.). In the light of this evidence, we submit that it would be appropriate for the proposed financial basis of the Canada Pension Plan to be modified by the inclusion of funds drawn from the general revenues of Canada. This would result in a more equitable form of transfer payment and help to place the burden more properly where it belongs.

32. In enumerating our principal points of criticism of Bill C-136, we stated that the supplementary benefits were too low. We do not think that this requires elaboration since, if we are correct in our criticism that the basic benefit itself is low, it follows that the supplementary benefits are low as well. A higher ratio of benefit to earnings, therefore, will produce consequentially higher supplementary benefits as well. But there is another aspect of this matter which deserves your attention. At the present time, all the benefits which are to be made available under the Canada Pension Plan (with the exception of the death benefit) are to be found to one extent or another under the various existing social assistance programs. Once the supplementary benefits become available there will be a tendency for a shift of claimants from social assistance to the Canada Pension Plan, at least to the extent to which the Canada Pension Plan will provide the benefits. There will be a tendency on the part of the provinces to divest themselves of the responsibility for providing social assistance at least to the degree which the Canada Pension Plan provides benefits. It may well be that social assistance claimants will be required to make application for the benefits available under the Canada Pension Plan even though their social assistance benefits will be higher, and the social assistance benefit will then be reduced to the difference between the Canada Pension Plan benefit and the previous social assistance benefit. In some cases presumably, there will be a complete transfer from social assistance to Canada Pension Plan benefit. We consider that this whole area is one which is too important to ignore and requires careful examination as to its consequences. We suggest that there should be a Dominion-Provincial conference in this connection to explore the relationship between the Canada Pension Plan and the various social assistance programs and to see also whether and to what extent the ancillary services provided under a social assistance program, such as counselling and rehabilitation, will be affected. In our view, this particular consequence of the introduction of the Canada Pension Plan points up one of the disadvantages of the piece-meal development of social security and the lack of integration of existing programs.

33. There are at least two other features of Bill C-136 which we feel deserve comment. One of these is its basic approach of the whole question of old age security. Our examination of the Bill leads us to the conclusion that it assumes a long-term attachment to the labour market, hence the long period of contributions and entitlement to benefit obtained accordingly. This is undoubtedly a correct assumption in the case of virtually all male workers and for a considerable number of women. It is taken for granted that the young man who enters the labour market at, say, 18 will remain in the labour market

for the rest of his working life or at any rate until he reaches normal retirement age. Our long standing tradition of the male bread-winner of the family supports this assumption. There are also a good many women who, having entered the labour force at an early age, stay in it until retirement. But there is a problem here which needs to be considered. We refer to those categories of employees who under their pension plans are able to or must retire at a normal retirement age which is typically 60 rather than 65. These include professional fire fighters, school teachers, civil servants, and women employees in private pension plans which provide a normal retirement age of 60 for women as against 65 for men.

34. Taking into account those who are likely to retire at age 60, we find that there is a gap in the Bill. It takes no account of this situation and makes no provision for what would be early retirement by its standards. Accordingly, if we understand the provisions of the Bill correctly, a professional fire fighter, for example, who retires at age 60 and obtains no further employment would be able to draw his benefit under the Canada Pension Plan at age 65 with the years from age 60 to 65 being treated as zero years for purposes of benefit calculation. The same would presumably be true of the other groups that we have referred to. It is instructive to note the substantial proportions of the employees who retired at an age below 65 in plans surveyed by the Dominion Bureau of Statistics. For the year ending October 31, 1960 the Bureau found that in the plans surveyed 16,349 male employees had retired during that particular year and of these 5,753 or 35.2 per cent had retired at ages 64 and under. During the same year the number of female employees retiring was 2,767 and of these 1,842 or 66.6 per cent retired at ages under 65 ("Pension Plans, Non-Financial Statistics, 1960" published by Dominion Bureau of Statistics, 1962). Bill C-136 may therefore be deficient to the extent that it fails to take into account the likelihood that a considerable number of contributors under the Canada Pension Plan will be withdrawing from the labour market at an age earlier than 65 because of retirement policies in effect in their places of employment. Once again we mention the professional fire fighters as an illustration because to our knowledge his is one occupation where the hazardous and arduous nature of the work has encouraged retirement at ages below those encountered in private industry. It seems incongruous that such an employee rendering an important public service should be penalized in the fashion we have just described.

35. The lengthening of the educational process and the consequent delay in entering the labour force also raise the question as to the appropriateness of using age 18 as the age of entry into the Canada Pension Plan. This is already an obvious problem in the case of those young people who complete secondary schooling and then go on to university. Their age of entry into the labour force may be 22 or 23 or even later. But even in the case of those who enter the labour force at the ages of 18 or 19, consideration may have to be given to the fact that they may at some time in their working lives, perhaps more than once, find it necessary to withdraw from active employment in order to train or retrain for new types of jobs. A rapidly changing technology may make this an absolute necessity for those who wish to keep themselves qualified for active employment. If this is to be the case, it may be that the Canada Pension Plan will contain a built-in inequity against those who find themselves in the situation just described.

36. In outlining those aspects of the Canada Pension Plan which we considered to be favourable, we included the fact that the Bill provides for an escalator clause to preserve the purchasing power of the pension itself. As we understand the Bill, escalation will not occur in any year in which there is an

increase of less than one per cent in the Pension Index and that the escalation will never exceed two per cent in any one year. We have read with great interest the testimony of Mr. J. E. Osborne in explaining how this would work in practice (Minutes of Proceedings and Evidence, No. 4). It would appear to us that the escalation formula suffers from a serious defect. An inflationary spurt, producing annual index increases of more than two per cent may leave the escalation process hopelessly behind. For example, an annual increase of 2.5 per cent over a period of five years would mean that pensioners would suffer a prolonged corrosion of purchasing power before escalation caught up with the index. Judging from Appendix "F", escalation would never have provided complete protection had the Plan been in effect from 1926 to 1963.

37. In her initial statement to you (Minutes of Proceedings and Evidence No. 1, p. 22) the Minister of Health and Welfare stated that: "It has been suggested that pensions in pay should be tied to the earnings index rather than the pension index. This would have the effect not of maintaining purchasing power but of increasing it in line with increases in the purchasing power still in the labour force. There is considerable merit in this proposal, but on balance the government favoured the objective of maintaining purchasing power." We agree with the Minister as to the merit of the proposal referred to and we urge, that your Committee also give it the consideration which it deserves. It is our view that those who retire on pension should continue to share in the growing productivity of their country. To tie pensions only to the cost of living as measured through a price index means almost inevitably that over a period of time the relative position of the pensioner decreases by comparison with that of the working population. Assuming that contributors will apply for their pensions at age 65 and that average life expectation is about 14 or 15 years as of that age, the pensioner may during a period of very active economic growth see his living standards slipping further and further behind those of the rest of the population who depend on wage income for a living. (We are assuming that economic activity will be accompanied by higher wages and salaries as well as higher profits.)

38. The question of the relationship of pension payments to changes in productivity brings us to the proposed changes in the Old Age Security Act. There are two significant changes. One of these makes it possible for the old age security benefit to be obtained at any age between 65 and 70 but at a reduced rate. The other provides for escalation in the pension itself on the basis of the same formula as in the case of the Canada Pension Plan benefit.

39. The Canadian Labour Congress has consistently taken the position that the old age security benefit should have been payable at age 65 without a means test instead of at 70. We are still of that opinion. The proposed amendment is to be welcomed to this extent that it will make benefits available at earlier ages. It will mean for those who will ultimately apply for the Canada Pension Plan benefit at age 65 that they will be able to apply for and receive their old age security benefit as well. There will be, in other words, integration in the more nearly correct meaning of that term. But the Canada Pension Plan will not pay its full benefit until 1976 where the old age security benefit will be available at a reduced rate for those aged 69 in 1966 and become gradually available at age 65 by 1970. This means that during the transitional period when the Canada Pension Plan benefit is low, the old age security benefit will be low as well in terms of the maximum provided in the legislation. We understand the reason for the transitional period and raise no objection to it except to point out that if the maximum benefit itself is relatively small the benefits available during the transitional period are even smaller. It would have made sense, therefore, in terms of social justice for Bill C-136 to have made the

$75 benefit fully available in 1966 to those who would begin collecting some benefit during the transitional period, even if the old age security benefit itself would diminish in proportion as the Canada Pension Plan benefit increased. But simply to reduce the old age security benefit well in advance of the possibility of obtaining the full benefit under the Canada Pension Plan is to give the older contributor the worst of both worlds. It is not persuasive to tell a pensioner that the $5.00 a month he may get from the Canada Pension Plan represents a good bargain considering his contributions in view of the insignificance of the $5.00 itself as income maintenance; and to require or to encourage him to take a reduced old age security benefit at the same time is merely to compound the inadequacy of both programs. The adequacy of $75 a month is itself open to question and we believe that the $75 a month should at the very least have been retained right up to 1976 for those who will become beneficiaries under the Canada Pension Plan during the transitional period and retained in any event for those who will never participate in the Canada Pension Plan at all. For the latter group, a figure substantially higher than $75 a month can be justified. We are concerned lest the establishment of the Canada Pension Plan will cause us to overlook the needs of those who will never participate in that Plan.

40. We are not opposed to the escalator provision governing the old age security benefit. We would merely remind you here of the argument made above with respect to the restrictions in the formula itself whereby there may not be sufficient protection against changes in the costs of living. But there is more to it than that. We are apprehensive, to say the least, that the escalator clause may lead to the illusion that old age security beneficiaries are being well looked after and nothing more needs to be done. Hitherto, the old age security benefit has been changed from time to time by Act of Parliament. To freeze the benefit at $75 a month, merely because that amount is protected against erosions through price increases, would be to single out its beneficiaries for discriminatory action. They should be allowed to share in the growing productivity of the country and the flat rate benefit itself should be changed from time to time accordingly. We made this point in our Memorandum to the Government of Canada on March 14, 1962 when we stated: "Assuming that the present flat rate benefit system is here to stay, we believe that benefits should be related to changes in the price level and to improvements in general living standards. The relationship to price levels would afford protection against erosion in purchasing power. The need to assess changes in living standards would provide Parliament with procedures for orderly review." We would like to see written into the amendments to the Old Age Security Act a provision calling for regular Parliamentary review of the level of benefit itself in the light of changes in the economy. We believe that this is still possible. It is, in our opinion, a matter of some urgency that there be some official statement of intent that the old age security benefit will be reviewed from time to time and that its beneficiaries will have their living standards kept in accord with rising living standards for other elements of the population.

41. We have chosen to deal with Bill C-136 in broad terms of principle rather than in matters of technical detail. There is, however, one part of the Bill with which we are concerned and which we think should be changed without affecting the operation of the Bill in general. We refer to Sections 83 to 88 inclusive which deal with appeals. We are particularly concerned with the appeals procedure at the second stage, that is, after receipt of an unsatisfactory decision from the Minister of National Health and Welfare. Section 84 provides for a Review Committee of three members, one to be appointed by

the applicant or beneficiary, one to be appointed on behalf of the Minister, one to be appointed by the two jointly as Chairman. It seems to us that this is, from the point of view of the contributor or beneficiary, an unsatisfactory arrangement and bound to work to his disadvantage. It would in many cases be difficult if not impossible for an appellant to find a representative not only willing but competent to represent his interest and more particularly to find one of the same level of competence as the Minister's appointee. There is the further problem of reaching agreement on a Chairman. It is conceivable that the Minister's appointee may simply be instructed never to agree on a Chairman and leave the matter entirely in the hands of a judge as provided in Section 84(3). For the ordinary appellant, this may be a very difficult and discouraging process to go through. We do not think that it should be so. We believe that an appeals procedure should be simple and readily accessible. We are strongly in favour of permanent Review Committees such as have existed under the Unemployment Insurance Act since its inception. We would also assume the right of an appellant to be represented before a Review Committee or the Pension Appeals Board although this is not spelled out in the legislation.

42. We have gone to a considerable effort to indicate to you what we consider to be deficiencies in Bill C-136. We wish to make it clear that although we have been critical of certain aspects of the Bill and of principles which are imbedded in legislation of the kind contemplated, we are nonetheless in favour of Bill C-136 and look forward to its speedy enactment. We are convinced of the need for such a Bill but we would like something better than what is being proposed. We assume, in the light of our experience of other social legislation, that the passage of time and the accumulation of experience will lead to the kind of improvements which we consider essential if the Canada Pension Plan is to play its legitimate role in our social security structure.

Respectfully submitted,

CANADIAN LABOUR CONGRESS.

Ottawa, January 22, 1965.

Annex A

COUNTRY	BENEFIT FORMULA
Argentina	
	Old-age pension: 82% of average earnings in last 12 months, but including only 90% of that part of computed pension between 10-20,000 pesos a month, 80% of 20-40,000, 60% of 40-60,000, and 30% of part over 60,000 pesos. Minimum pension, 4,000 pesos a month.
	Increment of 5% of pension for each year retirement postponed, or 2.5% if pensionable age 50; maximum, 25%.
	Reduced pension: Full pension less 5% per year under pensionable age.
	Refund of contributions plus interest, if ineligible for pension (employee contributions if under 55, or all contributions if over 55).
Austria	
	Old-age pension: 30% of average earnings during last 5 years, plus increments per year of insurance of 0.6% of earnings (first 10 years), 0.9% (11-20 years), 1.2% (21-30 years), and 1.5% (after 30 years). Paid for 14 months a year.
	Supplemental equalization payment (if pension small): Amount raising pension to 870 schillings a month, plus 345 sch. for wife and 100 sch. per child.

COUNTRY — BENEFIT FORMULA

Belgium

Old-age Pension: For full pension, 60% (single person) or 75% (married person) of average lifetime earnings; in computing average, earnings for each past year revalued for changes in retail price index.
Reduced pension (if full qualifying period not met): Percentage of full pension corresponding to proportion of period completed.
Automatic adjustment of outstanding pensions to 2.5% changes in retail price index.

Brazil

Old-age Pension: 70% of average earnings during last 12 months.
Increment of 1% of earnings for each 12 months of contribution; maximum increment, 30% of earnings.
Long-service pension: 80% of average earnings, plus 4% of earnings per year of contribution after 30 years, up to 100% of earnings.
13 monthly pensions paid a year.

Chile

Old-age pension: (wage earners): 50% of average wages during last 5 years, plus 1% of wages for each 50 weeks of contribution beyond 500 weeks; maximum, 70% of wages.
Increment of 10% of contributions paid for each 150 weeks of contribution after pension awarded.
Child's supplement: 10% of average pension paid in preceding year, for each child.
Maximum total pension: 100% of wages.
Salaried employees: 1/35 of average salary during last 5 years, times years of contribution; maximum pension, 100% of salary.
If ineligible, refund of employee-employer contributions in instalments.
Automatic adjustment of all pensions.

Colombia

Old-age pension: 45% of average earnings during last 3 years, plus increment of 1.2% of earnings for each 50 weeks of contribution after 500 weeks.
Dependents supplements: Wife age 60 or invalid, 24 pesos a month; each child, 12 pesos; maximum 72 pesos.
Minimum and maximum pensions, 120 pesos a month, and 90% of earnings.

Cuba

Old-age pension: 50% of average earnings during last 5 years.
Increment of 1% of earnings for each year of employment beyond 25 years.
Minimum and maximum pension: 38 pesos and 250 pesos a month.

Czechoslovakia

Old-age pension: 50% of average earnings during last 5 or 10 years, plus 1% of earnings per year of work over 25.
Maximum pension: 1,600 crowns a month, or 85% of earnings; minimum, 400 crowns (300 crowns if reduced pension).
Dependents' supplements: Wife age 65 or invalid, 100 crowns a month.
Increment of 4% of earnings per year of work during 5 years after pensionable age (if no pension drawn).
Employees in onerous work receive 55% of earnings, plus 1.5% per year over 20; miners and aviators, 60% plus 2% per year.

COUNTRY	BENEFIT FORMULA

Finland

Universal old-age pension: 34 marks a month, or 68 marks for aged couple.
Increment of 12.5% of pension for each year deferred after 65; maximum 62.5%.
Assistance pension: Up to 92 marks a month, according to means.
Supplements to assistance: 60% for wife 65 or invalid; 30% for wife 60-64, 10% for each child.
Employer old-age pension (statutory minimum): 1/12 of 1% of earnings during last year times months of coverage (½ of service before 1962 credited).
Maximum employer pension: 40% of earnings, or 60% minus universal pension if less.
Pensions adjusted automatically for 5% price changes.

France

Old-age pension: 20% of average earnings in last 10 years, or 40% if unfit for work or in arduous work (past earnings revalued for wage changes).
Increment of 4% of earnings per year pension deferred after 60 (i.e., 40% of earnings payable at 65, 60% at 70).
Reduced pension: 1/30 of full pension times years of insurance.
Dependents' supplements: 50% of pension for spouse, 10% if 3 children reared.
Special supplement of 700 francs a year paid low-income French pensioners from solidarity fund.
Automatic adjustment of outstanding pensions to annual changes in national-average wages.
Assistance or special allowance for former workers available to low-income aged not receiving pension.

Germany (West)

Old-age pension: 1.5% of worker's assessed wages times years of insurance (latter include credited periods of incapacity, unemployment, and schooling after 15).
Worker's "assessed wages" computed by applying average percentage which his wages were of national-average wages throughout coverage to national-average wages in last 3 years before claim (latter national-average wage figure for pensions awarded in 1964, 560 marks a month).

Germany (East)

Old-Age pension: 60 marks a month, plus 1% of average monthly earnings per year of insurance (higher rates for miners).
Dependents' supplements: 10 marks a month for spouse age 60, invalid, or caring for child under 3 or 2 children under 8; and 35 marks a month for each child under 15 (18 if student).
Minimum pension: 115 marks a month, or 125 marks with eligible spouse. Maximum pension, 80% of earnings.
(Social assistance for needy aged not receiving pension.)

Greece

Old-Age pension: 28% to 98% of average earnings during last 2 years, varying inversely according to wage class.

COUNTRY BENEFIT FORMULA

Greece—Conc.

Increment of 1 to 2.5% of pension for each 300 days of contribution beyond 3,000 days.

Dependents' supplements: 50% of pension for wife (maximum, 287 drachmas a month). 20% of pension for 1st child, 15% for 2nd, and 10% for 3rd.

Maximum pension: 100% of earnings.

13-½ monthly pensions payable a year.

Hungary

Old-Age pension: 50% of average earnings during last 5 years, plus 1% of pension per year of employment.

Minimum and maximum pensions: 500 forints a month, and 70% of earnings.

Wife's supplement (if pension below 850 forints): 100 forints a month.

Israel

Old-Age pension: 48.35 pounds a month (consists of basic pension of 15 pounds, plus supplement of 33.35 pounds varying automatically with cost-of-living index).

Dependents' supplements: 50% of pension for 1st dependent, 40% for 2nd, and 36-⅔% for 3rd.

Increment of 2% of pension for each year of insurance beyond 10 years; maximum, 50%.

Increment of 5% of pension for each year retirement postponed; maximum, 25%.

Assistance grants provided to needy aged ineligible for pension.

Italy

Old-Age pension: For men, annual pension equal to 72 times 45% of first 1,500 lire of lifetime basic contributions, plus 35% of next 1,500 lire, plus 30% of rest.

Women: 72 times 33% of first 1,500 lire of contributions, plus 26% of next 1,500 lire, plus 20% of rest.

Increment for deferral of pension: Men, 6-40% of pension if deferred 1-5 years; women, 3-40% if deferred 1-10 years.

Minimum pensions: 12,000 lire a month (15,000 lire if deferred to 65); maximum, 80% of average earnings.

Child's supplement: 10% of pension for each child under 18 or invalid.

13th monthly pension paid each December.

Japan

Welfare Pension Insurance—*Old-age pension:* 2,000 yen a month, plus 0.6% of lifetime average monthly earnings per year of coverage.

Dependents' supplements: 400 yen a month for spouse and each child under 18 or invalid.

Withdrawal grant (if ineligible for pension): Lump sum, based on earnings and length of coverage.

National Pension Program—*Old-age pension:* 75 yen a month per year of contribution up to 20, plus 100 yen per such year thereafter; minimum at age 70, 11,000 yen a month.

Assistance pension (after income test): Up to 1,000 yen a month.

COUNTRY — BENEFIT FORMULA

Luxembourg

Old-age pension: Basic pension of 1,690 francs a month.
Plus, increment of 1.6% of total insured earnings (wage earners) or 16% of total employee contributions (salaried employees).
Child's supplement: 135 francs a month (wage earners) or 370 francs (salaried employees) for each child under 18.
Minimum and maximum pensions: 3,038 francs a month, and $\frac{5}{6}$ of average earnings.
Special allowances paid to low-income pensioners from National Solidarity Fund to assure specified minimum total income.
Automatic adjustment of pensions for 5% changes in cost-of-living index (amounts shown above based on index of 135, with January 1948 as 100).

Mexico

Old-Age pensions: 34% of average earnings during last 250 weeks of contribution, according to 12 wage classes.
Increment of 1% of earnings per year of contribution beyond 500 weeks (newly-covered workers credited for increment purpose with contribution years equal to excess of their age over 30 years when first covered).
Additional increment of 2% of earnings per year of work after age 65.
Child's supplement: 10% of pension for each child under 16 (25, if student or invalid).
Minimum pension: 150 pesos a month; maximum, 85% of earnings.

Poland

Old-Age pension: 75% of average earnings during last 12 months (or best 2 years of last 10 years) below 1,200 zlotys a month, plus 20% of those between 1,200-2,000 zlotys, plus 15% of those over 2,000 zlotys.
Minimum and maximum pensions: 500 and 1,200 zlotys a month.
Dependents' supplements: Same as family allowances.

Rumania

Old-age pension: 60 to 90% of average earnings during last 12 months (60% applicable if earnings over 1,200 lei a month, and 90% if below 500 lei). Rates for difficult and dangerous work 5 or 10% higher.
Increment of 1.5% of earnings per year of employment beyond qualifying period.
Minimum and maximum pensions: 350 and 1,200 lei a month.
Reduced pension: Proportionate to percentage of full qualifying period completed; minimum, 250 lei a month, or 200 lei in rural areas.
(Social assistance available if ineligible for pension.)

Sweden

Universal old-age pension: 4,230 crowns a year (90% of current base amount).
Wife's supplement: 50% of pension if age 67 or invalid, or after income test if 60-66.
Child's supplement: 27.8% of pension per child under 16.

COUNTRY — BENEFIT FORMULA

Sweden—Conc.

Housing supplement (after income test): Up to 2,100 crowns a year.
Increment of 0.6% of pension per month pension deferred till age 70.
Pensions vary with price changes.
Supplementary old-age pension: 3% of average earnings between 4,700-35,000 crowns during coverage or best 15 years, times years of coverage (2% after 1990); maximum, 60%.
Increment of 0.6% of pension per month pension deferred till age 70.
Past earnings and pensions in force adjusted for price changes.

Switzerland

Old-age pension: 1,000 francs a year, plus 4 times first 400 francs of average annual contribution and 2 times next 300 francs (pre-1964 contributions raised ⅓ in computation).
Minimum and maximum pensions: 1,500 and 3,200 francs a year.
Wife's supplement: 60% of pension if age 60 or invalid, or 40% if 45-59.
Partial pension: Per cent of full pension equal to per cent of years age class could contribute since 1948 in which pensioner contributed.
Extraordinary assistance pension payable, after means test (unless born before 1893), to aged citizen whose ordinary pension inadequate.

Union of Soviet Socialist Republics

Old-age pension: 50% of average earnings in last 12 months (or best 5 consecutive years in last 10 years) if earnings above 100 rubles a month; 80-100, 55%; 60-80, 65%; 50-60, 75%; 35-50, 85%; under 35, 100% (rates 5% higher for dangerous work).
Increment of 10% of pension for 15 years' work for last employer, or for total work 10 years beyond qualifying period.
Supplement of 10% of pension for 1 dependent, 15% for 2 or more.
Minimum and maximum pensions: 30 and 120 rubles a month, or 100% of earnings.
Pensions 15% lower in rural areas, if pensioner in agriculture.
Reduced pension: Proportionate to years of work; minimum, 25% of full pension.

United Kingdom

Flat old-age pension: £3 7s.6d. a week.
Dependents' supplements: £2 1s.6d. for noninsured wife over 60; £1 for 1st child; and 12s. for each other child.
Increment for deferred retirement: 1s. a week for each 12 weeks of contribution after pensionable age (1s.6d. if noninsured wife over 60).
Graduated old-age pension: (if not contracted-out): 6d. a week for every £7 10s. (man) or £9 (woman) of graduated employee contributions paid during lifetime (payable in addition to flat pension).
(National assistance payable to aged persons whose resources below needs.)

United States of America

Old-age pension: 58.85% of first $110 of average monthly earnings after 1950 (excluding 5 lowest years), plus 21.4% of next $290. Minimum and maximum pension, $40 and $127 a month.

COUNTRY	BENEFIT FORMULA
United States of America—Conc.	
	Dependents' supplements: 50% of pension each for aged wife, or wife caring for child; aged dependent husband; and each child under 18 or invalid.
	Maximum total pension: $254 a month or, if less, greater of 80% of earnings and 150% of basic pension.
	(Old-age assistance payable to needy aged, after needs test, under Federal-State program.)

Source: Social Security Programs Throughout the World, 1964; published by U.S. Department of Health, Education and Welfare.

APPENDIX A35

THE EFFECT OF DYNAMIC ECONOMIC CONDITIONS ON A STATIC-PROVISION NATIONAL PENSION SCHEME

by

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Transactions, 17th International Congress of Actuaries, Vol. III, May 1964.

The faith of an ordinary man in the stability of prices is so remarkable that under normal circumstances, or perhaps under circumstances that are not unusually abnormal, he seldom expects any change in the price level. He tends to view conditions in a static manner, considering the purchasing power of the monetary unit as being almost immutable. The fact that this has not often been the case in the past generally does not perturb him in his future planning. Nor does he usually realise the economic relationship between such things as (1) interest rate, money and price level or (2) wage levels, price levels and productivity trends.

When national pension schemes were first developed several decades or more ago they were always framed to be consistent with the current economic conditions. With the passage of time economic changes occurred—sometimes gradually and sometimes in avalanche manner. Following such changes the schemes were modified on an *ad hoc,* and generally reasonable, basis to reflect the new conditions existing.

It may thus be said for many years the actuarial cost estimates for national pension schemes were made on the assumption of static economic conditions under which prices would remain constant into the future, and in wage-related programmes so also would wages. What has actually occurred over the years, however, is that economic conditions have been dynamic; both wages and prices have risen. Generally during the past century wages have increased more rapidly than prices, reflecting rising productivity. As a result, there has been a gain in the standard of living of the working population which, with their families generally represents the vast majority of the total population. There have been times when this trend of both wages and prices to rise did not prevail but these have not been frequent.

Dynamic economic conditions for the purpose of this paper may be said to apply when the level of wages varies from year to year. Such fluctuations in wages will usually, although not necessarily always, have an effect on prices. In the past the general situation has usually been for wages to have a more upward trend in price levels. Under the latter circumstances the differential between the two trends represents not only the improvement in living standards, as the result, but also on the whole the gain in productivity, as the cause. Other situations are possible under dynamic economic conditions but that referred to is by far the most common. For example there is the possibility, that some might consider to be ideal, of wages remaining constant and prices declining as a reflection of productivity gains.

This paper will discuss first the two general solutions, or approaches to solutions, that have been followed in connection with national pension schemes that have been affected, or may in the future be affected, by dynamic economic conditions. Then there will be shown how the Old-Age, Survivors, and Disability Insurance system of the United States of America has fared under one of these solutions. Finally the advantages and disadvantages of each solution will be analysed.

As a matter of terminology "wages" and "earnings" are used interchangeably in this paper, and both are intended to include "salaries" and "earned income" of self-employed persons. Also "workers" means any persons covered by the pension scheme, whether manual workers, salaried employees, independent or professional workers, domestic workers, or agricultural workers.

Two solutions to problem caused to national systems by dynamic economic conditions

The solution that has been most widely used in the past has been the *ad hoc* procedure of adjusting the benefit structure after significant economic changes have occurred. The adjustment generally conforms the structure to the then-existing conditions. Similarly the financing structure also needs modification when economic conditions are dynamic. If contributions are flat amounts the adjustment will be evident. When the contributions are a certain percentage of wages with a maximum amount subject to contributions it will probably be thought desirable to change the limit so that the proportion of total wages on which contributions are paid will remain about the same; the contribution rates too may need revision.

Some schemes base the pension amounts on the average earnings in the last few years before retirement rather than on a lifetime record of earnings, or contributions. In part this procedure was followed to allow for the fact that often an individual's earnings tend to rise as age, and length of service, rises, even after discounting any secular trend in the wage level that may be present. Accordingly it is desired to relate the pension to the level of earnings received just before retirement. But in part too this basis allows for dynamic economic conditions before retirement, but not thereafter. The average final wage basis, however, must be considered to be of a static-provision nature.

The other solution—more or less, a newcomer in the field—is the "mathematically elegant" basis of having fully-automatic-adjustment provisions. One way is to adjust pensions automatically at intervals to reflect changes in the cost of living as measured by a statistical index. This can most logically be done in schemes that pay flat-rate benefits, as in Denmark and Israel for example, but it is also possible in wage-related systems whether or not pension amounts are based on final pay. Another way in wage-related systems is to translate all wage records, and the resulting pension amounts too, to index numbers and then each year to pay benefits on the basis of the then-current wage level, or that of a recent period. The latter approach has been most notably followed for all practical purposes in the Federal Republic of Germany, where parliamentary action is necessary to adjust pensions in force, but this has been done each year.

The financing provisions too are automatically adjusted under the second approach. This could be accomplished in flat-contribution-rate schemes by varying the rate in accordance with changes in the cost of living. In systems that operate on a percentage-of-pay contribution basis this can be done by changing the maximum limit to the same degree as the variation in the cost of living or in the general wage level, the latter procedure being that used in the Federal Republic of Germany and the former being that used in Sweden.

Actual experience of United States static-provision pension system under changing economic conditions

The Old-Age, Survivors, and Disability Insurance system of the United States of America (hereafter referred to as OASDI) began paying monthly pensions in 1940. In the following two decades the general price level as measured by the Consumer Price Index rose by 112% (78% in the 1940's and 19% in the 1950's). During the same period the average annual wage

of full time employees increased by 262% (131% in the 1940's and 57% in the 1950's). Real wages thus rose by 71% from 1940 to 1960.

Under OASDI the basic benefit amount has always been based on a career-type average wage. The basic benefit amount may be defined as that payable to a worker retiring at age 65 or over, or for permanent and total disability at any age, without considering supplementary benefits payable to eligible dependants. The latter benefits, as well as survivor pensions, are determined from the basic benefit amount. A worker retiring between ages 62 and 65, not for disability, receives as a pension the basic benefit amount multiplied by an actuarial-reduction factor (80% for retirement at exact age 62, and proportionately higher for older ages).

Until the 1950 legislation the average wage was based on the entire period beginning with 1937, when contributions were first collected, or age 22 if later. Now the average wage in the vast majority of the cases is based on the entire period beginning with 1951, or age 22 if later, except that the 5 years in the period with the lowest earnings are eliminated from the computation. This basis eliminates the lower earnings that generally prevailed before and shortly after World War II and thus represents one type of *ad hoc* adjustment for changing economic conditions. The changes made in 1950 and later to have a "new start" in computing the average wage were in effect *ad hoc* adjustments to economic conditions, but they were made primarily, or at least ostensibly, to give reasonable treatment to occupational groups newly covered.

Another factor that affects basic benefit amounts is the maximum on the amount of annual earnings that is creditable toward benefits and also subject to contributions. From 1937 to 1950, this base was $3,000; for 1951-54, $3,600; for 1955-58, $4,200: and since 1958, $4,800. The extent to which this limit has kept pace by *ad hoc* adjustments with changing economic conditions is indicated in Table I. In the early days of the programme over 90% of total earnings in covered employment was taxable.

TABLE I

Proportions of total earnings in employments covered by OASDI system that were subject to contributions, in selected calendar years

Calendar year	Earnings base	Proportion of total earnings subject to contributions		
		Employees[a]	Self-employed	Total covered
		%	%	%
1937	$3,000	90.4[d]	[b]	90.4[d]
1940	3,000	92.4	[b]	92.4
1945	3,000	88.0	[b]	88.0
1950	3,000	79.7	[b]	79.7
1951	3,600	84.5	57.4	81.5
1954	3,600	79.7	59.6	77.7
1955	4,200	83.5	64.3	81.1
1958	4,200	80.1	61.5	77.8
1959	4,800	82.0	62.4	79.7
1961[c]	4,800	78.6	63.3	76.9

a Including both manual workers and salaried employees.

b Self-employed were not covered until 1951.

c Preliminary estimate.

d This figure is artificially low because persons aged 65 and over were not covered in 1937-38, so that all earnings of such persons were not subject to contributions. If this had not been the case, the proportion would have been about 92%.

By 1950 this proportion fell off to 80% as wages rose during the 1940's. Considering only the more or less homogeneous employees group the proportion was increased to about 84% by the first *ad hoc* rise in the limit. Subsequent decreases in the proportion, due to rising earnings, were offset by further increases in the limit so that in 1959, the first year of the $4,800 limit, the proportion was 82%. By 1961 it had again declined and was 79%.

The opposing effects of changing economic conditions and the creditable-earnings base can also be studied by considering workers whose earnings in a year equalled or exceeded such limit. For employees this proportion was only 3% in 1937-39, but it rose to 29% by 1950, and during the subsequent years was generally between 25% and 30% as the periodic increases in the base offset the rising earnings level. For full-time male workers the corresponding proportions were 6% in 1937-39, 57% in 1950, and 50-55% subsequently.

The *ad hoc* adjustments in the creditable-earnings limit kept it up to date in the 1950's with the situation at the beginning of the decade but not at the same level that prevailed in the late 1930's. This could be said to constitute a change in legislative policy.

The formula for computing the basic benefit amount has been changed over the years reflecting the rising earnings levels. The several formulas are summarised in Table II along with the minimum-benefit and maximum-benefit provisions and also the average increase in benefits for those on the pension roll when the law was changed.[1] Table III traces the benefit history of a worker who retired in 1940 at the average amount then awarded, comparing his basic benefit amount with the changes in the cost of living. This table also shows similar figures for a worker who retired in 1950 and one who retired in 1954, after enactments of amendments significantly changing the benefit formula.

TABLE II

Effect of various legislative changes on OASDI benefit formulas

Year of legislation	Formula for basic benefit amount[a]	Minimum basic benefit	Maximum basic benefit	Maximum family benefit	Average increase for roll[b]
1935[c]	½% of first $3,000 of cumulative wages, plus $\frac{1}{12}$% of next $42,000, plus $\frac{1}{24}$% of next $84,000	$10.00	$85.00[d]	$85.00	—
1939	40% of first $50 of AMW, plus 10% of next $250; total increased by 1% for each year of coverage	10.00	60.00[e]	85.00	—
1950	50% of first $100 of AMW, plus 15% of next $200	20.00	80.00	150.00	77%
1952	55% of first $100 of AMW, plus 15% of next $200	25.00	85.00	168.75	15%
1954	55% of first $110 of AMW, plus 20% of next $240	30.00	108.50	200.00	13%
1958	58.85% of first $110 of AMW, plus 21.4% of next $290	33.00[f]	127.00	254.00	8%
	Increase from 1939 to present ..	300%[f]	112%	199%	—

[a] In formulas below, "AMW" means average monthly wage.

[b] These figures relate to those on the roll at the time of the legislation, who were given an automatic increase in all cases, considering only primary beneficiaries without regard to supplementary benefits for dependants.

[c] This formula was never effective since benefits were first paid in 1940.

[d] Determined from 43 years of coverage at maximum creditable wage.

[e] Based on 50 years of coverage at maximum creditable wage.

[f] The minimum was increased to $40 by the 1961 legslation, which made no other change in the benefit formula.

[1] Those interested in other historical developments of the provisions of the OASDI system may obtain a tabular summary thereof upon request to the author.

TABLE III

Comparison of monthly basic benefits[a] under OASDI in various future years for person receiving average benefit awarded at time of retirement

Year (December)	Retirement in 1940		Retirement in 1950[b]		Retirement in 1954[c]	
	Actual benefit payable	Benefit in 1960 Dollars[d]	Actual benefit payable	Benefit in 1960 Dollars[d]	Actual benefit payable	Benefit in 1960 Dollars[d]
1940	$22.60	$47.85				
1945	22.60	37.85				
1950	41.40	49.50	$49.50	$59.05		
1951	41.40	46.65	49.50	55.80		
1952	46.60	52.05	55.70	62.25		
1953	46.60	51.70	55.70	61.80		
1954	51.60	57.55	60.70	67.70	$66.60	$74.30
1955	51.60	57.35	60.70	67.45	66.60	74.05
1956	51.60	55.75	60.70	65.60	66.60	71.95
1957	51.60	54.10	60.70	63.65	66.60	69.85
1958	51.60	53.20	60.70	62.55	66.60	68.65
1959	55.00	55.90	65.00	66.05	71.00	72.15
1960	55.00	55.00	65.00	65.00	71.00	71.00

[a] Without considering supplementary benefits for dependants.

[b] For awards in last 4 months of year to persons who met the qualifying conditions of the law as it was before the 1950 Amendments, which greatly liberalised such conditions and brought on the roll many persons at a relatively low benefit rate.

[c] For awards in December.

[d] Actual benefit payable multiplied by ratio of cost-of-living index in 1960 to that in given year.

Examination of Tables 11 and III indicates that on the whole the several *ad hoc* adjustments of the benefits have maintained their purchasing power. In fact in most instances benefits more than kept pace with the cost of living although not with the rise in earnings levels. For example, the benefit based on the average basic amount awarded in 1940 increased by 143% by 1960, as against a rise of 112% in the cost of living and 262% in the general wage level. The fact that the benefit level did not keep pace with the wage level is also indicated by comparing the amounts payable in 1960 for retirements in 1940, 1950 and 1954, as shown in the last line of Table III.

Another indication of the effect of the *ad hoc* adjustments made in the OASDI system may be had from a study of 100 persons whose old-age retirement benefits were awarded in August 1960. This sample was selected at random but not on a scientific stratified basis. None the less, its results are indicative of the underlying trends. The benefit in each individual case was computed from the actual wage record according to the benefit-formula provisions of the 1935, 1939, 1950 and 1958 Acts.

The average benefit amounts, separately for men and women, are shown in Table IV. The average benefits actually decreased from the formula of the 1935 Act to that of the 1939 Act. The reason for this was that the latter legislation revised the benefit structure so as to pay larger benefits in the early years and to provide dependants benefits. Economic conditions were relatively static in 1935-39. On the other hand, the 1950 Act and 1958 Act benefit formulas yielded substantial increases. Considering the 1958 Act formula, the increases were about 210% for men and 245% for women, or almost as much as the 262% rise in the general wage level.

TABLE IV

Average benefit amounts for sample of 100 persons awarded old-age retirement benefits in August 1960 if their benefits had been computed according to legislation in effect in specified years

Legislation	Average basic benefit	Average family benefit	Ratio of average benefit to that for 1939	
			Basic benefit	Family benefit
		Men (62)		
1935	$35.78	$35.78[a]	126%	112%
1939	28.34	32.05	100	100
1950	54.95	62.91	194	196
1958	87.11	99.91	307	312
		Women (38)		
1935	$25.25	$25.25[b]	128%	128%
1939	19.77	19.77[b]	100	100
1950	41.61	41.61[b]	210	210
1958	68.47	68.47[b]	347	347

[a] Dependants benefits were not available under 1935 Act.
[b] No female insured worker in the sample had dependants.

Assumptions:

1. In those cases where reduced benefits are payable because of retirement between ages 62 and 65 the comparison is made with the full basic benefit payable if it is not claimed until age 65.
2. In computing family benefits only those wives are included who are aged 65 and over at time of claim. Similarly only children under age 18 are included. These were the provisions of the 1939 Act, which have by now been liberalised in certain important respects.

The above comparison must be considered with caution because several elements are contained, and not merely the effect of dynamic economic conditions. None the less, it does give indication that the level of benefits under the OASDI system has to a very considerable extent kept pace with changes in the wage level.

Relative advantages of ad hoc *and automatic methods of adjusting national pension systems to changing economic conditions*

The automatic method of adjusting the benefit structure of a national pension system has the obvious advantage of offering a neat mathematical solution to a serious practical problem. Under this procedure no legislative action is needed to assure that the adequacy of the pensions will be maintained.

The automatic method also has the advantage, generally speaking, that there will be no significant lag in making adjustments, other than the lag in obtaining data for the adjustment indices or bases, especially those used to adjust pensions in force. On the other hand, under the *ad hoc* method there may be significant lags before legislative action is taken, but at least in theory this could be counterbalanced by making adjustments somewhat larger than strictly called for. It is presumed that, under the automatic method, adjustments would be made only when conditions change significantly. Otherwise there would be

the disadvantage of frequent changes, both up and down, and the accompanying administrative problems, which does not occur under the *ad hoc* method because of the lag element.

In contrast the *ad hoc* method of adjustment has the advantage of being more flexible. The benefit structure is not then rigidly strait-jacketed in the original form in which it was developed. A gain to the system results when wage levels increase if the benefit formula is of a weighted nature, because the benefit becomes a decreasing percentage of wage as the wage increases. A gain also results if the maximum on earnings that is subject to contributions is raised. Any such gains may, under the *ad hoc* method, be distributed selectively rather than equally between all types of benefits, as under the automatic method. For instance the gain might be utilised to raise survivor benefits relative to retirement benefits without changing the over-all cost of the programme, as measured in relation to payroll and thus as indicated by the required contribution rates. By this flexibility, it is thus possible to correct anomalies and inquities in the programme, which in practice would be difficult to do under the automatic method because it would be more obvious, since direct legislative activity affecting costs and contribution rates or benefit provisions would be required.

Under either method, there may be practical problems when there is need for a downward adjustment according to theory. Under the *ad hoc* method the legislators will surely hesitate to take action to decrease benefits, although there are instances where this has been done. On the other hand political pressure may be overwhelming to negate any automatic downward adjustment (or even illogically the plan itself might prevent this!).

The argument is made that the automatic method is psychologically bad because it implies a more or less tacit acceptance of continuing inflation and thereby may weaken the desire to fight against it. Runaway inflation may wreck national pension schemes regardless of the method of adjustment to changing economic conditions that is followed, but this seems more likely to happen under the automatic method because of its inflexibility, unless the method is abandoned (as was done in Chile).

The automatic method may have certain practical disadvantages, such as the complexities involved or the difficulty of obtaining reliable up-to-date indices or bases. Also the legislative body may be hesitant to hand over its authority to change the benefit structure, with its concomitant advantage of receiving political credit for such changes, to the technicians who determine the automatic adjustments. Furthermore the automatic method may under certain circumstances create financing problems in a particular year that could more readily be solved with a little delay, as would be possible under the *ad hoc* method.

Under the *ad hoc* method the question of adequacy of benefit levels is kept constantly active in the political arena, whereas under an automatic-adjustment provision the legislators are apt to pay less attention to the system. To some persons, this might seem a disadvantage of the *ad hoc* method, but to others it might seem an advantage.

In summary, it may be stated that both the automatic and *ad hoc* methods of adjusting the benefit structures of national pension schemes have certain advantages and disadvantages. Conditions vary as between countries in regard to the advisability of the method of adjustment to be used but in the author's opinion the *ad hoc* method has worked out well in the United States of America in the past and should continue to be the approach used in this country. Continuing study of the experience of programmes following each of these procedures will be important.

The effect of dynamic economic conditions on a static-provision national pension scheme

by

Robert J. Myers (*United States*)

(*Summary*)

In the past, and quite likely in the future, economic conditions as to wages and prices have been dynamic in most if not all countries in the world. In general this dynamism has been rather consistently in the upward direction. Such economic changes have an important effect on the value of the benefits under national pension schemes to the beneficiaries involved.

If a national pension system is not adjusted in an upward direction when wages and prices rise the benefits will lose adequacy. As a matter of social justice, and also from a practical standpoint due to political pressures, benefits of these schemes must be adjusted to a certain extent.

This paper examines the two general methods of adjustment of national pension schemes to changing economic conditions, namely, the automatic method, under which the provisions of the system vary the benefits with changing economic conditions, and the *ad hoc* method under which legislative action taken periodically keeps the system in pace with changing economic conditions. Some detail is given as to how the latter procedure has operated in the Old-Age, Survivors, and Disability Insurance system of the United States of America. Finally, a discussion is given as to the relative advantages and disadvantages of the two methods. The conclusions are reached that each has its points of superiority and that continuing study of the experience of programmes following these procedures is desirable. In the author's view the *ad hoc* method has worked out well in the United States of America in the past and seems preferable in the future.

APPENDIX A36

THE JOURNAL OF RISK AND INSURANCE
(formerly the Journal of Insurance)

Published by the American Risk and Insurance Association, Inc.

A METHOD OF AUTOMATICALLY ADJUSTING THE MAXIMUM EARNINGS BASE UNDER OASDI

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The benefits of the flat pension system of several countries (Denmark, Finland, Iceland, Israel, and Sweden) are adjusted automatically at intervals to reflect changes in the cost of living (i.e., prices), as measured by a statistical index.[1] The U.S. Civil Service Retirement system, following amendment in 1962, and the retirement system for members of the uniformed services of the United States, also provide for adjustment of pensions according to changes in the cost of living.[2]

In some countries that have earnings-related pension systems, the procedure has been followed of converting all wage records (and the resulting benefits) to index numbers, and then each year paying benefits on the basis of the current (or recent) wage level. The maximum earnings base on which contributions are levied and on which benefits are computed varies similarly from year to year. Such a procedure is, on the whole, followed in West Germany.[3] Sweden follows a similar practice in its supplementary wage-related pension system, except that the adjustments are made on the basis of an index of consumer prices, rather than an index of wages.[4]

Table I summarizes the general manner in which automatic-adjustment provisions apply in various foreign social security systems. It is evident that a wide variety of procedures are followed in different countries.

Limited automatic-adjustment provisions are present in 11 State unemployment insurance systems (and also in connection with 2 State cash-sickness benefits systems). In these systems, the maximum benefit is generally determined as a percentage of the average total wage of all covered workers in a previous period, but the maximum earnings base on which contributions are paid is fixed by law at a specific, unvarying figure. Thus, it is possible for the average total wage, from which the maximum benefit is derived, to be in excess of the wage base for contributions.

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[1] For a description of the foreign social insurance systems that have such automatic-adjustment provisions, see Daniel S. Gerig, "Automatic Cost-of-Living Adjustment of Pensions in Foreign Countries," *Social Security Bulletin*, March 1960.

[2] For details, see John P. Jones, "Amendments to the Civil Service Retirement Act," *Social Security Bulletin*, February 1963 and Marice C. Hart, "Cost-of-Living Increases in Military Retired Pay," *Social Security Bulletin*, February 1964.

[3] For a description of this system, see "Adjustment of Old-Age Pensions to Fluctuations in Economic Conditions—Federal Republic of Germany," *Bulletin*, International Social Security Association, March-April, 1962 (pp. 67-70) and "The General Bases of Calculation and the Income Limits for Calculation of Contributions in the Statutory Pension Schemes from 1 January 1963—Federal Republic of Germany," *Bulletin*, ISSA, January-February 1963 (pp. 49-51).

[4] For a description of this system, see "New Graduated Pension System in Sweden," *Social Security Bulletin*, November 1959.

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Critique of Automatic-Adjustment Provisions

Considering an earnings-related system, the automatic method of adjusting both the benefit and financing structure has certain advantages and disadvantages as contrasted with the *ad hoc* method of making legislative changes from time to time. The automatic method has the advantage of being a neat, mathematical solution to an important practical problem without requiring recurring legislative action, which might involve significant lag in making adjustments.[5]

One of the most important disadvantages of the automatic-adjustment method when applied to the benefit structure is that the latter will tend to be rigidly "strait-jacketed" in the original form in which it was developed. As will be indicated in the following section, a gain results when earnings levels increase if the benefit formula is of a weighed nature. Similarly, additional financing is available to the system when the earnings base is raised. Under the automatic-adjustment method, such gains are necessarily distributed proportionately, whereas under the ad hoc method, they may be distributed in different manners (for instance, survivor benefits may be increased relatively more than retirement benefits), and it is thus possible to correct any anomalies or inequities in the program.

The major disadvantage of inflexibility in the benefit structure that arises under complete automatic adjustment provisions will not, however, be present if there is automatic adjustment only with regard to the maximum earnings base.

Earnings Base under OASDI

One of the most important provisions of the Old-Age, Survivors, and Disability Insurance system, established by the Social Security Act and hereafter referred to as OASDI, is that relating to the maximum taxable and creditable earnings base. Specifically, the earnings base is the figure established by law above which earnings from covered employment are not taxed (i.e., contributions are not collected) and, similarly, above which such earnings are not creditable toward benefit rights and amounts.[6] This earnings base was $3,000 during 1937-50, $3,600 during 1951-54, and $4,200 during 1955-58, and it has been $4,800 since 1959.

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[5] At times, such greater lag involved in the *ad hoc* method might be an advantage because it could, under certain circumstances, eliminate much upward and downward movement, as a result of frequent small changes, that would create administrative problems and expense.

[6] In actual practice, under the current $4,800 earnings base, the operations are as follows: If an employee works for only one employer during the course of a calendar year, then his contributions cease after he has been paid $4,800 in the year. If an employee works for more than one employer during the course of a year (whether concurrently or successively), contributions are made on the first $4,800 of wages paid by each employer, but the employee can obtain a refund (by tax credit on his income tax form) for any contributions made on total wages in excess of $4,800. No such refund is available for employers—for one reason, at least, because of the administrative problems that would arise in determining equitable apportionments as between the different employers. If an individual is self-employed (and thus reports his covered earnings from self-employment after the close of the year—on his income tax form), contributions are payable only on such of his self-employment income as will not make the total of this and any covered wages that he may have had exceed $4,800.

TABLE 1

Summary of Foreign Social Security Systems Providing for Automatic Adjustment of Pension Benefit and Financing Provisions

Country	*Nature of Pensions*	*Basis of Adjustment*		
		Wage Records	*Pensions in Force*	*Taxable Earnings Base* [a]
Belgium	Wage-related	Prices	Prices	Prices
Denmark	Flat	n. a.	Prices	n. a.
Finland	Flat	n. a.	Prices	n. a.
France	Wage-related	Wages	Wages	Wages [b]
Iceland	Flat	n. a.	Prices	n. a.
Israel	Flat	n. a.	Prices	Ad Hoc
Luxembourg	Wage-related	Prices	Prices	Prices
Netherlands	Flat	n. a.	Wages	Wages
Sweden [c]	Flat	n. a.	Prices	n. a.
Sweden [c]	Wage-related	Prices	Prices	Prices
West Germany	Wage-related	Wages	Wages [d]	Wages

n.a.=not applicable.

[a] Applicable only where financing (in whole or in part) is by wage-related contributions; other systems financed by portion of income tax and by general government revenues.

[b] Before 1963, adjustment was on an *ad hoc* basis.

[c] Sweden has two separate systems—one having benefits of a flat nature, and the other having benefits of a wage-related nature.

[d] The law provides only for annual review and consideration on the part of the legislature, but in practice this has resulted in appropriate increases being made each year.

The past changes in the earnings base were made by legislative enactments that had the general purpose of performing this adjustment to reflect at least, in part, changes in the general wage level. The extent to which the earnings base has kept pace with the general earnings level can be judged from the proportion of total earnings in covered employment that is subject to contributions, which indicates the proportion of the total covered payroll that is available to finance the benefits of the program.[7]

Such data are shown in Table 2 for selected calendar years in 1937-61. The proportion decreased from about 92 per cent in the early years of operation of the program to 80 per cent in 1950, which was the last year that the initial $3,000 wage base was in effect. Thereafter, the several increases in the earnings base increased this proportion, but the passage of time has resulted in gradual decreases therein.

[7] Evaluation of the extent to which the earnings base has kept up-to-date can also be made from data on the varying percentages of workers who have had all their earnings covered by the base. Such evaluation produces virtually the same results as when the proportions of total wages that are covered are considered.

TABLE 2

Proportions of Total Earnings in Employments Covered by OASDI System That Were Subject to Contributions, Selected Calendar Years

Calendar Year	Earnings Base	Proportion of Total Earnings Subject to Contributions		
		Employees[a]	Self-Employed	Total Covered
1937	$3,000	90.4%[b]	[c]	90.4%[b]
1940	3,000	92.4	[c]	92.4
1945	3,000	88.0	[c]	88.0
1950	3,000	79.7	[c]	79.7
1951	3,600	84.5	57.4%	81.5
1954	3,600	79.7	59.6	77.7
1955	4,200	83.5	64.3	81.1
1958	4,200	80.1	61.5	77.8
1959	4,800	82.0	62.4	79.7
1961[d]	4,800	78.6	63.3	76.9

[a] Including both manual workers and salaried employees.

[b] This figure is artificially low because persons aged 65 and over were not covered in 1937-38, so that all earnings of such persons were not subject to contributions. If this had not been the case, the proportion would have been about 92 per cent.

[c] Self-employed were not covered until 1951.

[d] Primary estimate.

System Gains

From Increasing Earnings Levels

The mathematical formula underlying the benefit table in the OASDI system (that is used to determine the primary benefit, from which all types of benefits are computed) is 58.85 per cent of the first $110 of average monthly wage[8] and 21.4 per cent of the next $290 of the average monthly wage. Thus, the benefit formula is "weighted" so that relatively higher benefits are paid to those with low earnings than to those with higher ones. For example, the primary benefit for an average monthly wage of $300 is $105 per month (or 35.0 per cent of average wage), while the corresponding benefit for an average monthly wage of $360 is $118 per month (or 32.8 per cent of average wage). Thus, the $360 worker pays 20 per cent more in contributions than the $300 worker, but his primary benefit is only 12 per cent greater. As a result, if the general covered earnings level increases, the cost of the system relative to covered taxable payroll is lower, or in other words a "gain" to the system results.

From Changes in Maximum Earnings Base

Another factor that results in "automatic generation" of a "gain" to the OASDI system is the effect of raising the earnings base for both contribution and benefit computation purposes; such changes have been made a number of times in the past. The reason that this action results in a "gain" is, once again,

[8] In essence, "average monthly wage" is determined from the lifetime earnings of the insured individual, but the lowest 5 years of earnings are omitted (as also are years before 1951 and years before age 22 or after age 64 for men and age 61 for women). However, years before age 22 or after age 64 for men and age 61 for women in which the earnings were relatively high can be substituted for years with low earnings during the prescribed period.

because of the weighted benefit formula. For example, under the present maximum earnings base of $4,800, the primary benefit payable on the basis of the maximum average wage is $127 per month. If the maximum earnings base were raised to $5,200, the corresponding figure would be $134, or an increase of 5.5 per cent—as contrasted with a rise of 8.3 per cent in the maximum earnings base. Accordingly, the contributions with respect to a person covered for his entire working lifetime at a maximum earnings base of $5,200 would be 8.3 per cent higher than under a $4,800 base, but the benefits would only be 5.5 per cent higher. The effect on the financing of the program is thus evident, since contributions increase directly proportionately with increases in covered earnings whereas benefits rise less than proportionately.

An additional "gain" to the system results from the lag that is involved in the benefit computation method when earnings levels rise, since the average wage is, in essence, a lifetime one and thus is affected by the lower previous covered earnings. For many years, benefit amounts would be affected by both the lower earnings levels of previous years and the lower earnings base (or bases) applicable to some past years.

Future Role of Maximum Earnings Base?

Several different positions can be taken as to what the future role of the maximum earnings base should be in the OASDI system. At one extreme, it might be argued that the base should be maintained at a height such that more than 90 per cent of all earnings in covered employment should be taxable and creditable—as was the case in the early years of the program. At the other extreme, it could be argued that as long as the price level does not change, the earnings base should remain unchanged. Under these circumstances, it would be argued that any increases in the general earnings level would represent increase in the standard of living and that, therefore, individuals would have ample additional funds to provide for their own supplementary economic security. In between these two viewpoints lies the position that in the future the earnings base should maintain the same relative position that it had when it was last changed. To a certain extent, this was done by the successive changes in the earnings base during the 1950's; however, as indicated in Table 2, there was some dilution of the base.

Assuming that the theory is adopted that the earnings base should keep pace with the general earnings level (whther the initial one of the late 1930's or using some latter date as the base), the problem still remains as to how this can be done. One method is that which has been followed in the past—namely, *ad hoc* legislative changes from time to time. Another method would be for the law to provide automatic adjustments of the earnings base as the general earnings level changes. The remainder of this paper will explore the advisability of incorporating such a provision in the OASDI system and will indicate one practical method of doing this.

Data for Automatic-Adjustment Provision

It is quite simple to say that the maximum earnings base should be automatically adjusted for changes in the general earnings level. However, how can this be accomplished in practice? It would seem that one desirable—perhaps, essential—feature is that the adjustment procedures should be based on actual tabulated data, rather than on estimated data. The use of the latter could bring criticism on the grounds that the developers of the estimates might be influenced one way or the other, particularly when a "border line" situation would be present—since rounding of the maximum earnings base (to at least $100 units) would be necessary.

The point might be raised that the adjustment of the earnings base should be determined from some broader earnings data than those derived from those tabulated OASDI earnings data. Depending upon which tabulated data are utilized, there may be incompleteness or unreliability because of (1) the effect of the earnings base, (2) the exclusion of the earnings in certain types of employment that do not report in the general quarterly manner (i.e., the self-employed, agricultural workers, and the armed forces), or (3) the use of only first-quarter data (to minimze the effect of the earnings base).

The broader applicability of an earnings index based on general data is, however, offset by the disadvantages of using sample data due to (1) inherent variability (and possible non-acceptance or certain doubts on the part of the general public), (2) difficulty of getting a sample that accurately represents OASDI employment coverage, or (3) unduly long time lag between the date to which the data apply and the date when they can be analyzed.

Perhaps the greatest difficulty in basing the adjustment on actual tabulated data is that the total earnings of covered workers are not known, since only the taxable earnings are reported. For example, if an individual who earns more than $4,800 a year receives an increase in pay, the recorded wage data will show no change in his earnings. Although estimates of total wages are made by the Social Security Administration, it would seem undesirable to base any automatic-adjustment provisions thereon because, due to the significant financial effect of the results, there might be many questions raised as to the validity and accuracy of the estimates.

Although taxable wages are tabulated in detail and completely, there are significant theoretical difficulties in using them for full calendar years because of the aforementioned effect of the maximum earnings base. Some indication of this may be obtained from Table 3, which shows data on the average total and taxable quarterly wages under OASDI for 1954-62. In considering these data, it must be realized that not only is the secular trend of wages present, but also there are cyclical fluctuations within each year that arise from changing business conditions and also from the normal seasonal patterns.

TABLE 3

DATA ON AVERAGE TOTAL TAXABLE QUARTERLY WAGES PER WORKER UUDER OASDI SYSTEM, 1954-62[a]

Quarter	Average Total Wage	Average Taxable Wage	Average Taxable Wage as Percent of Average Total Wage	Average Taxable Wage in Quarter as Percent of Such Wage in First Quarter
1954				
1st	$ 800	$ 779	97%	100%
2nd	810	750	93	96
3rd	790	650	82	83
4th	870	561	64	72
1955				
1st	840	815	97	100
2nd	840	797	95	98
3rd	850	723	85	89
4th	920	626	68	77
1956				
1st	890	872	98	100
2nd	880	835	95	96
3rd	880	726	82	83
4th	950	641	67	74
1957				
1st	920	899	98	100
2nd	910	850	93	95
3rd	910	733	81	82
4th	960	620	65	69
1958				
1st	940	906	96	100
2nd	930	857	92	95
3rd	910	734	81	81
4th	960	628	65	69
1959				
1st	960	949	99	100
2nd	990	929	94	98
3rd	980	807	82	85
4th	1,050	702	67	74
1960				
1st	1,010	989	98	100
2nd	1,040	945	91	96
3rd	1,040	817	79	83
4th	1,070	682	64	69
1961				
1st	1,030	1,011	98	100
2nd	1,060	963	91	95
3rd	1,050	812	77	80
4th	1,110	701	63	69
1962				
1st	1,080	1,061	98	100
2nd	1,090	998	92	94
3rd	1,090	817	75	77
4th	1,140	700	61	66

[a] Data on average total and taxable wages from *Social Security Bulletin*, February 1964. See text for description and discussion of these data.

The data shown do not include self-employment income nor, except in 1954, agricultural wages, because such earnings are reported only annually. Also, it should be noted that not only are the figures for average total wages on an estimated basis, but that this is also true to a considerable extent for the figures on average taxable wages in the last few years shown, because the wage information has not yet been completely tabulated (although almost so).

In most years shown in Table 3, the average taxable wage in the first quarter of the year is only about 2 per cent less than the average total wage; such small differential results only because of the few individuals who earn more than the amount of the annual earnings base in the first quarter—under the present $4,800 base, at a rate of more than $19,200 per year. In the second quarter of the year, the average taxable wage is about 90-95 per cent of the average total wage, while for the third and fourth quarters, the corresponding ranges are about 75-85 per cent and 60-70 per cent respectively. The effect of changes in the maximum earnings base is quite evident. For a given calendar quarter, the proportion that the average taxable wage is of the average total wage is highest in the initial year that the earnings base changes (1955 and 1959), and then decreases slowly.

When the average total wage is considered by quarters, there generally is the pattern that it is about the same in each of the first 3 quarters, but is significantly higher in the fourth quarter (probably due to additional work during the holiday season and to the payment of year-end bonuses). On the other hand, for reasons indicated previously, the average taxable wage is highest in the first quarter and gradually decreases thereafter. Thus, the average taxable wage in the fourth quarter is only about 65-75 per cent of that in the first quarter—again, with a somewhat higher ratio in the year that a new earnings base goes into effect, decreasing therafter.

From the preceding analysis, it might be argued that since the only tabulated data relate to taxable wages, and since the taxable wages for quarters after the first one in a calendar year are not meaningful in reflecting the trends of total wages, then any automatic-adjustment provision for the maximum earnings base should be determined from the average taxable wage in the first quarter of the year. The solution to the problem, however, is not as easy as this, because such data are not available on an actual tabulated basis for a number of years, but rather are partially estimated (and to a considerable extent). But there is a practical solution in that data are available for the first quarter of the calendar year on a virtually complete tabulated basis, if wage-items are considered (rather than average wage per worker).

The actual reports that employers make for their employees (other than in the case of agricultural workers and members of the armed forces, for whom special reporting procedures apply) are submitted quarterly, with a one-month lag, to the Internal Revenue Service of the Department of the Treasury. If an individual works for more than one employer in the quarter, then there will be one wage-item for him for each employer. These wage-items are sent to the Social Security Administration and are immediately tabulated for control purposes before they are sorted out and credited to the individual employee earnings records. Such a tabulation does not show the number of different individuals involved, but rather merely gives the number of wage items and the reported taxable wages thereon.

The tabulation made during each three-month period separates the so-called "current" reports from those with respect to previous quarters. For the purposes of any automatic-adjustment provisions with respect to the maximum earnings base, only the "current" wages items that are tabulated are of significance. For example, in the period beginning in June and ending in August, the "current" tabulation consists of all wage-items received from the

Internal Revenue Service that relate to the first quarter of the particular year. Any wage-items relating to this quarter that are received after the cut-off date are tabulated later and do not enter into the "current" tabulations.

Table 4 presents data on the number of wage-items and the average taxable wage per wage-item for the "current" reports tabulated in each quarter after 1953. It will be observed that the seasonal pattern for the number of wage items is a rise from the first quarter to the second quarter, then usually a slight drop to the third quarter, and finally a sharp drop to the fourth quarter. This pattern results from two elements—the generally higher employment in the spring and summer months, and the gradual decline in the number of persons with covered wages as the year goes by (as a result of persons reaching the limit of the maximum taxable earnings base). Correspondingly, the average taxable wage per wage-item tends to decline—quite sharply for the third and fourth quarters—as a result of the effect of the maximum earnings base.

Accordingly, it would seem that the best practical method for an automatic-adjustment provision for the maximum earnings base under the OASDI system is to utilize data from the "current" wage-items for the first calendar quarter of each year they are tabulated. As indicated in the accompanying technical annex, these "current" wage items represent well over 95 per cent of all wage-items for the quarter and in fact probably about 99 per cent thereof on the average. Although these data are not representative of the entire employment coverage of the program (since they do not include self-employment income, military wages, and agricultural wages) and although they are not complete 100 per cent tabulations, the small amounts missing are not significant from a broad statistical standpoint. Therefore it may well be said that any automatic-adjustment provision developed would have as its foundation virtually complete tabulated data rather than being based on any estimates or other judgmental factors.

TABLE 4

Number of "Current" Wage-Items Tabulated and Average Taxable Wage Per Wage-Item Under OASDI System, By Quarter, 1954-63[a]

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	Number of Wage-Items (in millions)			
1954	48.6	51.8	51.0	43.2
1955	49.4	53.1	52.8	47.4
1956	49.8	54.8	55.0	47.6
1957	54.3	57.6	58.2	49.1
1958	53.6	56.0	56.7	48.1
1959	54.6	61.6	62.7	54.9
1960	57.8	62.0	61.9	52.4
1961	57.2	60.8	61.2	53.1
1962	59.3	63.5	63.4	53.1
1963	60.7	64.9		
	Average Wage per Wage-Item			
1954	$691	$649	$557	$473
1955	717	679	609	525
1956	758	702	609	530
1957	800	736	622	529
1958	826	759	634	545
1959	853	803	682	598
1960	890	824	702	594
1961	918	852	705	606
1962	957	873	707	602
1963	980	895		

[a] Data exclude military wages and, except for 1954, agricultural wages. The "current" tabulations include an estimated 95-99 percent of all such data for the quarter (see text).

A Practical Method

Having accepted the foregoing premises as to the statistical data to be used as the foundation of the automatic-adjustment provision, it is then a relatively simple matter to develop a specific basis. First, it would be determined by Congressional action (through law) that the maximum earnings base was at the "correct" level for some "initial" calendar year. Then, the average taxable wage per wage-item for the first quarter of the preceding year would be taken as the initial base figure (rounding this to the nearest dollar.)[9] The maximum earnings base for any subsequent year would be determined from the two foregoing "initial" figures and from the average taxable wage per wage-item for the first quarter of the calendar year preceding the particular year in question, with the result being rounded, for example, to the nearest $200.[10] For purposes of simplicity and public under-

[9] Alternatively, some form of moving average (such as for the last 3 years) could be used for both the initial base year and the subsequent year.

[10] It should be noted that if the computation, after the prescribed rounding, does not produce a change in the maximum earnings base from the previous year, this has no effect on the calculations for the next year. This is so because the data used as to the average taxable wage per wage-item for the first quarter are only for the initial base year and for the year preceding the year for which the determination is being made. Alternatively, the computation could be on the basis of using the last year for which the maximum earnings base changed as the initial base year; however, it would seem that this would not produce as satisfactory (i.e., smooth and consistent) results under some circumstances—as, for example, if the unrounded figure was, for a number of years, just at the level to require upward rounding in each instance.

standing, the maximum earnings base should be expressed in round figures, and accordingly, it seems reasonable to prescribe that any changes made should be in $200 units.

This procedure could be carried out on an automatic basis, as prescribed by law, such that the determination of the maximum earnings base for a particular year should be made by the Secretary of Health, Education, and Wealfare before November 1 of the preceding year.[11] The calculations would be made on the basis of the average taxable wage per wage-item for January through March of that preceding year, which wage-items are tabulated in the period ending in August of that year. Thus, for example, if this procedure were in effect for 1965, the promulgation of the maximum earnings base for that year would be made November 1, 1964 on the basis of wage-items for the first quarter of 1964 tabulated through August 1964.

It may be of interest to examine how this automatic-adjustment provision for determining the maximum earnings base would have worked out in the past. Table 5 gives such illustrative data under two hypotheses—that the initial earnings base is $4200 for 1955 and that the initial earnings base is $4800 for 1959 (in both instances, the first year that such earnings base actually went into effect). The figures are developed on the basis that the automatic-adjustment went into effect immediately. The same results would have been derived (for the first year in which the automatic-adjustment provisions is assumed to go into effect and thereafter) if the same initial base year was selected, but the first effective year for the automatic-adjustments was not the immediately following year, but rather some later one (e.g., if the initial base year was 1955, and the first effective year for automatic-adjustment was 1960).

TABLE 5

Illustration of Application of Automatic-Adjustment Provision for Determining Maximum Earnings Base

Year	Average Taxable Wage per Wage-Item for First Quarter	Earnings Base if Automatic-Adjustment Provision First Became Effective for 1956	Earnings Base if Automatic-Adjustment Provision First Became Effective for 1960
1954	$ 691		
1955	717	$ 4,200	
1956	758	4,400	
1957	800	4,600	
1958	826	4,800	
1959	853	5,000	$ 4,800
1960	890	5,200	5,000
1961	918	5,400	5,200
1962	957	5,600	5,400
1963	980	5,800	5,600
1964	n.a.	6,000	5,800

NOTE: See text for description of how the above figures for the earnings base are derived.

The arithmetical development of the various earnings bases under the automatic-adjustment provision is quite simple. For example, considering the figure for 1956 under the basis that the earnings base for 1955 is the initial

[11] Alternatively, it could be provided that adjustment of the earnings base would take place no oftener than every "n" years (where "n" might be 2, 3, or 4) or that this action would be done only if there is an increase of at least "k" per cent in the average taxable wage per wage-item over the initial base figure (where "k" might be 10).

one, then the earnings base for 1956 is merely $4200 times the ratio of $717 to $691. Rounded to the nearest dollar, this turns out to be $4358, which in turn when rounded to the nearest even multiple of $200 is $4400. Similarly, the earnings base developed for 1957 is merely $4200 times the ratio of $758 to $691, which when rounded is $4600.

By coincidence, the figures in Table 5 indicate that, under the initial base of either 1955 or 1959, the annual increments in the maximum earnings base under this automatic-adjustment provision would have been $200 for each year and that the earnings base for the current year would have been either $5,800 or $6,000 depending upon the initial base year selected.

Changes in Benefit Provisions

As indicated previously, the basic permise under which the analysis in this paper has been prepared is that the automatic adjustment would apply only to the maximum earnings base and not to the general benefit level. However, if an increase in the maximum earnings base occurs, this means that not only are more earnings subject to contributions for certain individuals, but also that more earnings are correspondingly creditable for benefit purposes. Accordingly, it is only reasonable that the benefit table in the law should be extended to reflect this. Associated with this relationship is the statutory size of the maximum family benefit, which for the highest earnings levels is set in absolute-dollar terms—at twice the primary benefit payable with respect to the maximum earnings base. Both of these benefit features could be automatically provided for in the law.

TECHNICAL ANNEX

In order to present the full statistical basis of the foregoing method for developing an automatic-adjustment provision for determining the maximum earnings base under OASDI, information is here presented as to the complete details of the statistics as they would actually develop.

Table A shows the actual number of wage-items and the wages reported thereon that were tabulated in the "current" tabulations for the first calendar quarter of each year in the period 1954-63. These are the basic data from which the information in the first column of Table 4 was developed.

TABLE A

Number of Wage-Items Tabulated and Wages Reported Thereon for First Quarter of Year, 1954-63 [a]

Year	Number of Wage-Items	Wages Reported on Wage-Items
1954	48,597,692	$33,568,326,986
1955	49,423,341	35,459,208,598
1956	49,801,377	37,749,994,291
1957	54,294,255	43,438,655,311
1958	53,644,563	44,308,027,244
1959	54,604,213	46,600,715,546
1960	57,761,003	51,378,565,961
1961	57,183,411	52,520,154,721
1962	59,334,157	56,758,901,922
1963	60,741,844	59,549,683,539

[a] Data exclude military wages and, except for 1954, agricultural wages. The tabulations include an estimated 95-99% of all such data for the quarter (see text).

TABLE B

Total Taxable Wages for First Quarter of Year Tabulated by Social Security Administration During Various Periods, 1954-62 [a]

(Wages in millions)

Year	(1) Wages Tabulated in Period: Through August	(2) Wages Tabulated in Period: September to November	(3) Wages Tabulated in Period: December to next February	(4) Total of Columns (1), (2), and (3)	(5) Column (1), as Percent of Column (4)
1954	$33,798	$1,180	$ 87	$35,065	96.4%
1955	35,691	769	[b]	36,460	97.9
1956	38,892	1,554	[b]	40,446	96.2
1957	43,777	962	205	44,944	97.4
1958	43,488	525	[b]	44,013	98.8
1959	45,048	1,765	90	46,903	96.0
1960	49,198	687	177	50,062	98.3
1961	50,064	342	[b]	50,407	99.3
1962	53,970	358	157	54,485	99.1

[a] Data exclude wages of State and local government employees and, except for 1954, agricultural wages.

[b] Not available, because unobtainable for years when tax rate did not change.

Table B presents information that is of value in assessing the completeness of the "current" tabulations of wage-items for the first quarter of each calendar year. The "subsequent" tabulations of these data do not contain subdivisions by calendar quarter of employment, but rather lump together all quarters other than the "current" one. In the posting of credited earnings to the Social Security accounts at a somewhat later stage than the aforementioned tabulations, a record is kept of first-quarter wages for the initial 3-month period of tabulation, for the second such 3-month period, and in certain years[1] for the third such 3-month period as well. There are several minor differences in the data contained in these tabulations and those contained in the "current wage-item" tabulations discussed previously (and shown in Table A). Thus, the data in Table B include military wages and exclude the wages of covered State and local government employees, whereas in the data in Table A the reverse is the case. However, these differences tend to counter-balance and, moreover, are not so large as to affect the significance of the general conclusion that may be drawn —namely, that data for "current" wage-items for a particular quarter represent at least 95 per cent of the total such data for such quarter and quite probably 98-99 per cent.

1 Since the basic purpose of these tabulations is to determine the exact aggregate amounts of contributions, this procedure is followed only for years when the contribution rate changes.

(MEETINGS HELD DUDING THE ADJOURNMENT OF THE HOUSE)

MINUTES OF PROCEEDINGS

MONDAY, February 1, 1965.
(43)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 10:05 o'clock a.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Blois, Boucher, Croll, Denis, Fergusson, McCutcheon, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh—9.

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Chatterton, Côté (*Longueuil*), Francis, Gray, Howe (*Wellington-Huron*), Knowles, Laverdière, Llyod, Monteith, Munro, Prittie, Rhéaume—17.

In attendance: Messrs. L. Coward, Chairman of the Pension Commission of Ontario; D. W. Stevenson, Director of the Economics Branch of the Department of Economics and Development; and J. E. E. Osborne, Technical Adviser to this Committee.

Also in attendance: Dr. J. Willard, Deputy Minister of Welfare.

The Joint Chairman opened the meeting.

On motion of Senator Croll, seconded by Mr. Knowles,

Resolved unanimously: That a document intituled "Answers to questions raised by Messrs. Knowles, Cantelon and Aiken on December 3, 1964 and January 15 and 20, 1965 be printed as an appendix to this Committee's Minutes of Proceedings and Evidence of today (*See Appendix A37*).

On motion of Senator Croll, seconded by Mr. Francis,

Resolved unanimously: That the brief of Mr. Dowsett appended to issue No. 16 of this Committee's Minutes of Proceedings and Evidence be corrected as requested by Mr. Dowsett in his letter of January 26, 1965, addressed to the Committee, namely:

"1. On page 1113, line 20—"...in relation to the cost?" should read "...in relation to the cost of living?"
2. On page 1115, last line—"the employer." should read "the employer and the employee."
3. On page 1128, 12th line from the bottom of the page, the sentence beginning "Life insurance is a different...sector." should read "Life insurance is a different animal and there are not the massive cross-subsidies in the pension plans put out by the private sector."
4. On page 1132, 12th last line—"costing 1.37%." should read "costing .37%."
5. On page 1134, line 10—"...what is recommended in Bill C-136." should read "...what is recommended for rate stabilizing in Bill C-136."

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Then the Joint Chairman introduced the delegation and invited Mr. L. Coward to make a preliminary statement before being questioned, assisted by Mr. Stevenson.

In accordance with a motion passed at a previous meeting, the brief submitted by the Government of Ontario is printed as an appendix to this day's Minutes of Proceedings and Evidence (*See Appendix A38*).

The Committee agreed unanimously that the statement made in the Ontario Legislature by the Honourable John Robarts, Prime Minister of Ontario, regarding the Canada Pension Plan, Thursday, January 21, 1965, be printed as an appendix to this Committee's Minutes of Proceedings and Evidence of today (*See Appendix A39*).

It was moved by Mr. Chatterton, seconded by Mr. Aiken,

That the Officials of the Department of National Revenue be asked to supply the Committee with the latest version of the Form for calculation of Contribution under Canada Pension Plan.

The question being put on the said motion, it was resolved, by a show of hands, in the affirmative: Yeas: 18; Nays: 2.

And the examination of the witnesses continuing, at 12:35 o'clock p.m. the Committee adjourned until 2:30 o'clock this afternoon.

AFTERNOON SITTING
(44)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reconvened at 2:40 o'clock p.m. this day. The Joint Chairman of the Senate section, Senator Fergusson, presided.

Members present:

Representing the Senate: Honourable Senators Blois, Boucher, Croll, Denis, Fergusson, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh—8.

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Chatterton, Côté (*Longueuil*), Francis, Gray, Howe (*Wellington-Huron*), Knowles, Laverdière, Lloyd, Monteith, Munro, Prittie, Rhéaume—17.

In attendance: Same as at this morning's sitting and from *The Canadian Teachers' Federation*: Mr. George MacIntosh, President; Dr. Gerald Nason, Secretary-Treasurer; and Mr. Norman M. Goble, Assistant Secretary-Treasurer; *Atlantic Region*: Mr. Tom Parker, Executive Secretary, Nova Scotia Teachers Union; Mr. Harry Cuff, Assistant Secretary, Newfoundland Teachers' Association; and Mr. Alfred H. Kingett, General Secretary, New Brunswick Teachers' Association; *Central Region*: Miss Marie Duhaime, President; Miss Ruby McLean, Chairman, Superannuation Committee; Miss Nora Hodgins, Secretary-Treasurer; Messrs. William Jones, Assistant Secretary; David R. Brown, F.S.A. Consultant to Superannuation Committee; and Douglas Beaman, Member, Superannuation Committee; *Western Region*: Mr. Robert Gordon, Assistant General Secretary, Manitoba Teachers' Society.

Also in attendance: Mr. D. Sheppard, Assistant Deputy Minister of National Revenue.

The Joint Chairman opened the meeting.

On motion of Mr. Cantelon, seconded by Mr. Knowles,

Resolved unanimously: That the following documents be appended to this day's Minutes of Proceedings and Evidence:

(*a*) "Answer to questions raised by Mr. Basford and Mr. Cantelon on January 21, 1965" (*See Appendix A40*).

(*b*) Estimated values of Canada Pension Plan Benefits to a man aged 40 in 1966 (*See Appendix A41*).

On motion of Mr. Prittie, seconded by Mr. Knowles,

Resolved unanimously: That the document intituled "Estimated Costs of Ontario Proposal" be appended to this day's Minutes of Proceedings and Evidence (*See Appendix A42*).

On motion of Senator Croll, seconded by Mr. Francis,

Resolved unanimously: That the sum of $42.00 be paid to Mr. Robert J. Myers, Chief Actuary, Social Security Administration of U.S.A. for travelling and living expenses as specified in his letter dated January 27, 1965 in relation to his appearance before this Committee on Thursday, January 14, 1965.

On motion of Mr. Munro, seconded by Mr. Francis,

Resolved unanimously: That the following documents be appended to this day's Minutes of Proceedings and Evidence:

1) Statement by the Honourable John Robarts, Prime Minister of Ontario, at the Federal-Provincial Conference on Pension Plans Ottawa, September 9th and 10th, 1963 (*See Appendix A43*).

2) Letter to Mr. Pearson, Prime Minister of Canada, from Mr. John P. Robarts, Prime Minister of Ontario, dated February 13, 1964 (*See Appendix A44*).

On motion of Mr. Francis, seconded by Mr. Lloyd,

Resolved unanimously: That the following documents be printed as appendices to this day's Minutes of Proceedings and Evidence, namely:

1) Application for refund under the Canada Pension Plan (*See Appendix A45*).

2) Calculation of self-employed contribution (*See Appendix A46*).

The examination of the witnesses being completed, the Joint Chairman thanked Messrs. Coward and Stevenson and they retired.

On motion of Mr. Munro, seconded by Mr. Aiken,

Resolved unanimously: That a vote of thanks and appreciation be extended to the Government of Ontario and to Messrs. Coward and Stevenson for their contributions and the quality of their brief submitted.

Then the delegation of the Canadian Teachers' Federation was called.

The Joint Chairman invited Mr. MacIntosh to introduce the members of his delegation before making a preliminary statement and be questioned thereon, assisted by the other witnesses.

In accordance with a motion passed at a previous meeting, the brief of the Canadian Teachers' Federation is appended to this day's Minutes of Proceedings and Evidence (*See Appendix A47*).

The examination of the witnesses continuing, at 5:48 o'clock p.m. the Committee adjourned until 8:00 o'clock this evening.

EVENING SITTING
(45)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reassembled at 8:03 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Blois, Croll, Denis, Fergusson, Lefrançois, Smith (*Kamloops*)—6.

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Côté (*Longueuil*), Francis, Gray, Howe (*Wellington-Huron*), Knowles, Laverdière, Lloyd, Prittie, Rhéaume—14.

In attendance: Same as at this afternoon's sitting and *from the Canadian Construction Association:* Messrs. P. D. Dalton, National Vice-President, Toronto; M. C. Stafford, Chairman, Labour Relations Committee, Toronto; G. Desmarais, Member, Labour Relations Committee, Montreal; S. D. C. Chutter, General Manager, Ottawa; P. Stevens, Director of Labour Relations, Ottawa.

Also in attendance: Mr. D. Thorson, Assistant Deputy Minister of Justice.

The Joint Chairman invited Mr. Gerald Nason to make a short statement before the Committee resume its questioning of the witnesses.

And the examination of the delegation from the Canadian Teachers' Federation being completed, the Joint Chairman thanked the witnesses and they retired.

On motion of Mr. Francis, seconded by Mr. Laverdière,

Resolved unanimously: That a vote of thanks and appreciation be extended to the delegation from the Canadian Teachers' Federation for its contribution and valuable brief.

Then the Canadian Construction Assosciation was called.

The Joint Chairman invited Mr. Dalton to introduce his delegation before reading his brief and be questioned thereon assisted by the other witnesses.

In accordance with a motion passed at a previous meeting, the brief submitted by the Canadian Construction Association is appended to this day's Minutes of Proceedings and Evidence (*See Appendix A48*).

And the examination of the delegation being concluded, the Chairman thanked the witnesses and they retired.

On motion of Mr. Basford, seconded by both Messrs. Côté (*Longueuil*) and Francis,

Resolved unanimously: That a vote of thanks be extended to the delegation from the Canadian Construction Association for their contribution.

At 10:03 p.m. the Committee adjourned until 10:00 a.m. on Tuesday, February 2, 1965.

Maxime Guitard,
Clerk of the Special Joint Committee.

EVIDENCE

(Please note, that all the evidence adduced in French and translated into English, was recorded by an electronic recording apparatus pursuant to a recommendation contained in the Seventh Report of the Special committee on Procedure and Organization, presented and concurred in, on May 20, 1964.)

The CHAIRMAN (*Mr. Cameron*): Ladies and gentlemen, it is now a little bit past 10 o'clock and we have a quorum here.

Before introducing our witnesses for today there are one or two items of business which I wish to mention. I have here in duplicate answers to questions raised by Mr. Knowles, Mr. Cantelon and Mr. Aiken on December 3, 1964 and January 15 and 20, 1965. May I have a motion that these be recorded in the minutes today as an appendix?

Hon. Mr. CROLL: I will so move.

Mr. KNOWLES: I will second it.

The CHAIRMAN (*Mr. Cameron*): All those in favour?

Motion agreed to.

Mr. Guitard, the clerk, has received a letter from Mr. Dowsett, our witness on January 18, regarding some corrections he wishes made in his evidence. I will read the main portion of his letter.

The corrections are as follows:

1. On page 1113, line 20—"...in relation to the cost?" should read "...in relation to the cost of living?"

2. On page 115, last line—"the employer." should read "the employer and the employee."

3. On page 1128, 12th line from the bottom of the page, the sentence beginning "Life insurance is a different...sector." should read "Life insurance is a different animal and there are not the massive cross-subsidies in the pension plans put out by the private sector."

4. On page 1132, 12th last line—"costing 1.37 per cent." should read "costing .37 per cent."

5. On page 1134, line 10—"...what is recommended in Bill C-136." should read "...what is recommended for rate stabilizing in Bill C-136."

Mr. Dowsett would like to have these errors corrected in the record. May I have a motion that that be done?

Mr. KNOWLES: This raises a question that I have already placed before the committee at some point or other. I hope that our staff, particularly our stenographic and reporting staff, realize that we appreciate the pressure under which they have worked, and that errors in the record are inevitable. I am sure we all realize also that the times we have been sitting here have been such that it has not been possible for us to check the record, and it should also be stated that there are quite a few errors in the record. I see no way in which we can correct the errors attributed to us as members of the committee, but I do hope that those who may read the record now or who may read it in the future, when they run into things that look silly, will realize that possibly that was an error. I do not see how we can correct all the errors. If there is to be a correction of the whole

work it would mean a reprinting, and, goodness knows, some of us would have to do a lot of proofreading.

The CHAIRMAN (*Mr. Cameron*): Senator Croll has moved that Mr. Dowsett's amendments be adopted.

Mr. FRANCIS: I second the motion.

Mr. KNOWLES: This means that Mr. Dowsett's letter will be printed in today's record. It does not mean that the previous issue will be reprinted.

The CHAIRMAN (*Mr. Cameron*): I do not know how the clerk will handle it. Mr. Guitard has explained to me how it is done and it seems to me to be quite satisfactory.

In answer to what you have just been saying, may I say that all the witnesses are asked to check the record before it is printed. While that may not have been done in all cases, we have all had that opportunity, and we have all been requested to do so.

Mr. KNOWLES: I realize the witnesses have done that and I realize that we, as members, could have done it if we wished to, put because of the pressure we have been under we have not done so. I am not complaining, but I thought it should be put on the record that those of us who appeared on the record have found we have been credited with a few errors.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, Senator Fergusson and Mrs. Rideout, today we have officials of the government of Ontario. Mr. L. E. Coward, who is sitting to my immediate right, is the chairman of the Ontario pension commission. He is accompanied by Mr. D. W. Stevenson, director of the Economics Branch of the Department of Economics and Development of the province of Ontario. You have all received their brief and have had an opportunity of reading it. It will be included in today's proceedings as part of the record. I understand that Mr. Coward intends to make a short introduction probably lasting four or five minutes, concerning items on matters contained in the brief and his main recommendations. Subsequently, both he and Mr. Stevenson will be available to answer questions, if any members of the committee care to put them. Mr. Coward, please proceed.

Mr. L. W. COWARD (*Chairman of Ontario Pension Commission*): Mr. Chairman, ladies and gentlemen.

The Prime Minister of Ontario on January 21 announced that the Ontario government accepts the Canada pension plan in principle and will bend every effort to make this plan truly national in scope for the benefit of all citizens of Canada. The plan has also been accepted in principle by a unanimous vote in the House of Commons. We wish therefore to co-operate fully with you to make it the best possible plan. We have a number of suggestions for improvement in the plan, and we hope that the committee will give favourable consideration to them and adopt them.

In order to add weight to our brief, we wish to remind you that Ontario will account for more than half of the contributors to the Canada pension plan, and more than one-third of the contributors to the Canada and Quebec pension plans combined. In terms of contribution income, no doubt Ontario would account for an even higher proportion.

The Ontario government has been studying intensively the question of pensions for almost 5 years. As a result of the work of what is usually known as the Ontario committee on portable pensions, the Pension Benefits Act was enacted in 1963 and the pension commission of Ontario was established. This act came into full effect from January 1 this year. It does not of course establish a government-operated pension plan but regulates and sets standards for private pension plans.

Two very successful interprovincial conferences, attended by federal government observers, have been held in recent months with the purpose of designing uniform legislation for private pension plans. The federal government has co-operated fully with us in this matter. We welcome the statement made by the Minister of Finance in the House of Commons on December 18 to the effect that when general agreement has been reached among the provinces, the government will introduce similar legislation applicable to employees under federal jurisdiction. If you have any questions or comments on the relationship between the regulation of private pension plans and the subjects under discussion today, we will be glad to hear them and so give you the best answers that we can.

Our brief is short. It covers some general criticisms which we have made in the past about the Canada Pension Plan and makes some broad suggestions to meet these criticisms.

There may be implications of some of the suggestions which we have not fully investigated. We believe, however, that changes of this general nature are needed if the plan is to serve its purpose effectively and efficiently.

We make no specific suggestions regarding the economic and financial implications of the plan. Basically, we agree with the economic report prepared by the federal Department of Finance which says that the economy will be able to adjust to the Canada pension plan without serious problems. This does not mean, however, that the effects will be insignificant or that the present financing proposals should be adopted without regard to other major government programs that may be in prospect. We feel that if those who made the economic study had been given wider terms of reference which would permit them to discuss alternative methods of financing the plan, there may have been recommendations for changes. Specifically, we are thinking of the size and build-up of the fund and the collection of contributions through what amounts to payroll tax.

Our suggestions concerning the level of benefits reflect our position that the Canada pension plan should contain a larger welfare element as befitting a government's responsibility to provide for the security of all the residents of the country. The additional amount we suggest which should be paid to recipients of old age security, the minimum pension and the shortening of the earnings base would reduce the disparity between the largest and smallest pensions. It would be of great benefit to many present and future pensioners who otherwise would receive little or nothing from the introduction of the Canada pension plan.

Some of the recommendations in our brief could be adopted independently of any others. In other instances there is a direct connection between two or more recommendations. If any suggestions were accepted which would result in increasing cost to the plan, it might be advisable to consider others which would have a balancing effect.

We apologize to the joint committee for the fact that notification of our wish to submit a brief and appear before you could not have been given at an earlier date. We are indeed sorry that copies of our brief due to delay in the mails did not reach you sooner. I gather there was some inconvenience for which we are sincerely sorry. We are sure that the members will appreciate the necessary haste in which the brief was prepared and submitted since it had to follow the decision of the Ontario government made in the month of January not to establish its own comparable pension plan. We thank you very much for rearranging your program in order that we may be heard today.

With your permission I would like to read just a little of the introduction to our brief, but certainly not the whole brief.

1. Ontario has given careful and serious consideration to the several proposals of the government of Canada for a nation-wide contributory pension plan. The Ontario government has been most concerned in the light of its constitutional position to carry out fully its responsibility to the people of Ontario. The government believes that the adoption of Bill No. C-136 as it stands would result in the acceptance of a plan deficient in achieving the most desirable results for an expenditure of the magnitude involved. This submission indicates what some of these shortcomings are and provides suggestions for improvements.

2. Although the government of Canada has indicated on several occasions that the basic principles of the Canada pension plan are unchangeable, the government of Ontario is not prepared to accept this policy as the last word and hopes that the government of Canada will be persuaded to give favourable consideration to the constructive suggestions offered by Ontario.

B. Basic Criticisms

3. Ontario's principal criticisms of the Canada pension plan are:

(*a*) Adequate advance consideration does not appear to have been given to the full financial and economic implications of the present proposals and possible alternatives, and

(*b*) the lack of co-ordination between the Canada pension plan, old age security and other government welfare and social security programs results in inadequate provision for those most in need.

C. Summary of Recommendations

4. Ontario has voiced its comments on the Canada pension plan at six federal-provincial conferences since July 1963. In addition, the prime minister of Ontario has exchanged letters on the subject with the Prime Minister of Canada and Ontario officials have met with federal government officials on numerous occasions. Consistent with the principles to which Ontario has adhered throughout these exchanges, the following recommendations are made:

(*a*) the federal government should obtain the opinion of the royal commission on taxation on the implications of the Canada pension plan on fiscal policy and the incidence of taxation. If the tax commission finds that the proposed method of financing the Canada pension plan is inconsistent with its own recommendations, alternative methods should be considered. (paragraphs 11 and 12).

(*b*) The old age security and assistance programs and the Canada pension plan should be treated as a single program geared to the needs of older people. (paragraph 15)

(*c*) A flat benefit of perhaps $25 a month should be provided under the Canada pension plan from January 1, 1967 to all persons receiving old age security benefits. (paragraph 19)

(*d*) A minimum pension of perhaps $25 a month should also be paid to all persons qualifying for benefits under the Canada pension plan. (paragraph 20)

(*e*) The 42-year earnings base should be abandoned. In its place, a shorter period, perhaps the ten last or ten best years of earnings, should be used. (paragraph 27)

(*f*) In cases of early retirement, certain years between retirement and age 65 should not be counted in calculating the earnings base. (paragraph 30)

(*g*) The earnings index should be abandoned and the pension index based on the cost of living substituted for it. (paragraph 32)

(*h*) A retirement test should be used to determine entitlement for both Canada pension plan and old age security benefits for persons between the ages of 65 and 70. (paragraph 35)

(*i*) The exemption of contributions on the first $600 of earnings should be eliminated. (paragraph 37)

(*j*) A transition period of twenty years rather than ten years should be adopted for the Canada pension plan. (paragraph 40)

5. In making the above recommendations, Ontario is not raising new issues at the eleventh hour. It is merely making concrete suggestions as to how its previous criticisms can be met in order to clarify its position for the special joint committee of the Senate and of the House of Commons. Ontario has no desire to raise insuperable difficulties that would make the plan impossible. It is convinced, however, that changes proposed in this submission are desirable to achieve what the Minister of National Health and Welfare has described as "a comprehensive plan to apply to as many people as possible in this country".

6. These recommendations are submitted in a spirit of co-operation and in the hope that the committee and the federal government will act on them. Ontario believes that they will correct some serious shortcomings in the Canada pension plan as proposed in Bill No. C-136. In view of the profound impact that the Canada pension plan will have on the welfare of Canadians and the future development of this country, it is essential that the best plan possible be adopted.

7. The government of Ontario appreciates that previous discussions have resulted in some notable improvements in the Canada pension plan since it was first introduced. In particular, it welcomes the inclusion of survivors' and disability benefits, made possible by the constitutional amendment which Ontario supported. It welcomes the safeguards to ensure that significant changes in the pension plan are made only after agreement with the provinces and to allow a province to withdraw from the plan after two years' notice. In addition, the availability of the reserve fund to the provinces meets one of Ontario's previous criticisms.

Gentlemen, that is all I wish to say. I have given you a summary of our brief which is elaborated in the remaining pages.

The CHAIRMAN (*Mr. Cameron*): Thank you very much, Mr. Coward. Have you anything to add, Mr. Stevenson?

Mr. D. W. STEVENSON: (*Director of Economics Branch, Department of Economics and Development, Province of Ontario*): No, thank you.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, the following members have indicated a desire to ask questions: Messrs. Aiken, Knowles, Chatterton, Mrs. Rideout, Senator McCutcheon, Mr. Munro, Mr. Francis, Mr. Gray, Mr. Lloyd and Senator Croll.

Mr. AIKEN: Mr. Chairman, I would like to ask Mr. Coward particularly about clauses (*c*) and (*d*) on page 3 concerning the flat benefit. Would these two proposals actually give a minimum of $25 per month to everyone over 65 whether or not they are in the Canada pension plan and whether or not they are taking their old age security at an early date?

Mr. COWARD: Our proposal would give the additional $25 a month to everyone whether or not he is or ever was in the Canada pension plan. However we suggest it should be paid only if the person is receiving old age security so that until he becomes qualified for old age security, he could not qualify for the $25 a month.

Mr. AIKEN: To follow that up, suppose a person had taken the option that is given in the bill to take his old age security at the age of 65. Would he under these circumstances be permitted to take the additional $25, or would this proposal be a substitution for the earlier option of accepting the old age security?

Mr. COWARD: If he takes old age security at the age of 65 when he is permitted to do so, he would receive the additional $25. Under our proposal the old age security would not be reduced, but would be subject to a retirement test. Therefore as soon as anyone becomes qualified for old age security he would have an income of $100 a month from the two plans combined.

Mr. AIKEN: And this will also apply in the future as well as during the transition period?

Mr. COWARD: Yes, sir.

Mr. AIKEN: So in the result there would be a minimum pension for everyone reaching the old age security age of $25 whether he has contributed to the Canada pension plan or not.

Mr. COWARD: Subject to the retirement test, yes.

Mr. D. W. STEVENSON: Suppose a person has not made any contribution to the Canada pension plan during his or her working career. I do not think we envisage that this person would receive the minimum pension. For example, I am thinking of a housewife who had never contributed, and who therefore would not be subject to receive the minimum in the future.

Hon. Mr. MCCUTCHEON: Actually at any time, if she contributed even a five cent piece, with the elimination of the $600 exemption, she would be entitled to the minimum?

Mr. KNOWLES: I would like to ask one or two further questions on the subject which Mr. Aiken has been discussing. I understand that you are recommending that everyone on old age security—in other words, everyone over 70 for certain—would get an extra $25 a month starting the first of January 1967?

Mr. COWARD: If he draws old age security already, which is subject to the residence test, yes.

Mr. KNOWLES: People who meet the two tests will get it, but what about people under 70 or those precisely between 65 and 70? You are not recommending payment of old age security at $100 a month across the board. You are recommending rather a $25 payment to those on the Canada pension benefit, or who are on old age security.

Mr. COWARD: We had a number of discussions here and I think our final conclusion was that it should be available to everyone in spite of what Mr. Stevenson has said. I think we sawed it off at a different place at some point in our discussion. The final recommendation is that $100 a month would be available to everyone.

Mr. KNOWLES: Just to proceed further in order to get this point clarified, is it this: that those 70 and over would get $100 per month, that is, $75 old age security plus the $25 supplement, and those who are from 65 to 70 would get it subject to a retirement test?

Mr. COWARD: Yes, sir.

Mr. KNOWLES: Would that retirement test be the retirement test which is now in the Canada pension plan?

Mr. COWARD: We have not considered whether modification of the retirement test would be necessary.

Mr. KNOWLES: However you would try to simplify it?

Mr. COWARD: It would be on those lines without any doubt; it would be based on income earned.

Mr. KNOWLES: In order to try to simplify it you would change the present old age security arrangement at the moment which is $75 a month, to those of 70 and over without a means test, and $75 to those between 65 and 70 with a means test. What you are recommending is $100 a month at age 70 and over without any test. Other than residence and age, and $100 for those between

65 and 70 subject to a retirement test, the details of which you have not yet worked out?

Mr. COWARD: Yes, you are correct in interpreting the conditions under which these benefits should be paid.

Might I add that we are not saying that $25 is the amount without any qualification. We have said that there should be an additional flat benefit paid from the Canada pension fund, but whether it should be $25 or more or less, we have left open.

Mr. KNOWLES: I saw that word "perhaps", and I was trying to ignore it.

Mr. COWARD: I would not like to think that we are committed as part of our policy to a minimum benefit of that particular amount.

Mr. KNOWLES: The cost of this $25 a month in either case, I take it from what you have said just now, would be charged to the Canada pension plan fund rather than to old age security or to consolidated revenue.

Mr. COWARD: That is correct.

Mr. KNOWLES: Do you feel that the other suggestions you have made such as lengthening of the maturity period, and the other suggestions, would make possible the payment of these funds without throwing the Canada pension fund awry?

Mr. COWARD: Yes, sir, we think that. We believe that the $25 addition to recipients of old age security and the $25 minimum could be paid from the present contributions to be received by the fund for some years. But nevertheless, in order that we should not disturb your present plan too drastically, we have suggested two other changes which would have the effect of providing additional funds from which this benefit could be paid. These two are of course the charging of contributions from the first dollar of earned income, and the lengthening of the transition period.

Mr. PRITTIE: Would those additional payments reduce the amount which is available to the province for lending purposes?

Mr. COWARD: Yes, they will. If you adopt our entire recommendation—which I hope you will—the amount available to the provinces, that is, the size of the Canada pension fund, would be reduced. It would be reduced substantially, but there would still be a very considerable fund.

Mr. KNOWLES: In proposing these $25 additions, you will note from the record that suggestions for improving the position of the recipients of old age security have been made quite frequently in this committee. Some of us feel this is a gap which should be looked into. But has your committee or the government of Ontario considered the possibility of paying for this in some other way such as out of the old age security fund or out of consolidated revenue rather than out of the method by which the Canada pension plan fund is raised?

Mr. STEVENSON: Earlier in the recommendations we express the thought that the financing of the Canada pension plan should be looked at by the royal commission on taxation in a very preliminary way. However, if our recommendations were adopted, or the basic elements of them, I think there would be a case for some reviewing of the finances. For one reason, you would dispose of a considerable portion of the expenditures now made for old age assistance which are now paid from general revenue divided between the province and the federal government.

Similarly with the larger element of welfare in the benefit formula which we recommend, relationship between contributions and the benefits would not apply to the same extent.

We believe that in any wage related benefit you, of course, have to have an element of contribution based on income. But one of the considerations

which the royal commission on taxation might take into account is the fact that there would be closer ties between the old age security principle and these recommendations.

Secondly, in the type of financial structure which the royal commission on taxation will be considering, they will be thinking of the competitive position of the Canadian economy generally. We believe the contributions under the Canada pension plan as now proposed constitute basically, a payroll tax. It is possible that the royal commission on taxation might feel more reliance could be placed on indirect sales taxes, or perhaps there is a greater case for more coming out of general revenue or income type taxation.

We have these things in mind in making the recommendation that the financing be reconsidered.

Mr. KNOWLES: In other words, your implied suggestions in regard to this $25 are not sacrosanct? There is a supplement? If we provide that supplement and pay for it in some other way, you would be happy?

Mr. STEVENSON: Yes, but we have made some rough estimates that the Canada pension plan fund could pay for the supplement, with other recommendations.

Hon. Mr. CROLL: Following your suggestion, Mr. Stevenson said they made some rough estimates. Will you indicate what your rough estimates would be under items (c) and (d)?

Mr. COWARD: I think it would be very difficult for me to answer your question here and now, but I would be glad to supply a note on what our estimates indicated.

Hon. Mr. CROLL: Both under (c) and (d)?

Mr. COWARD: Yes. We have these blended in a form that would be difficult for us to translate conveniently for the present. I take it that you are speaking of the plan for Canada excluding Quebec?

Hon. Mr. CROLL: Yes.

Mr. COWARD: I would prefer to prepare this and send it in with a minimum of delay.

Mr. CÔTÉ (*Longueuil*): Mr. Chairman, perhaps Mr. Osborne could give us a rough figure.

Mr. J. E. E. OSBORNE (*Director, Research and Statistics Division, Department of National Health and Welfare*): Is it your wish that those figures be calculated, Mr. Chairman?

The CHAIRMAN (*Mr. Cameron*): That is up to the committee to decide. It probably would not hurt to have an estimate from Mr. Osborne as well.

Mr. KNOWLES: Would this not involve figures given in answer to Senator Croll?

Mr. CÔTÉ (*Longueuil*): I think Mr. Osborne has them in his mind.

The CHAIRMAN (*Mr. Cameron*): Would you like Mr. Osborne to prepare an estimate of the approximate cost of (c) and (d) in the brief of the Ontario government?

Mr. CHATTERTON: I certainly had in mind that we should have the staff prepare an over-all figure—if not an exact figure, at least an approximation.

The CHAIRMAN (*Mr. Cameron*): Shall we leave this until the end, and decide what we want our own economic adviser to prepare for us?

Mr. OSBORNE: Will this $25—if that is the figure—payable as a supplement to old age security out of the Canada pension plan fund, also be payable in the province of Quebec?

Mr. COWARD: It was our thought that the $25 for Canada, other than Quebec, would be paid out of the Canada pension plan. If a corresponding benefit is provided in the province of Quebec, it would presumably be provided out of the Quebec pension plan.

Mr. KNOWLES: That way of paying it is not sacrosanct? In other words, if we are interested in providing the $25 across Canada we would almost have to have a universal figure.

Mr. STEVENSON: If you were to make changes in the method of financing, that would be so.

Mr. BASFORD: How did you make the recommendation without knowing the cost?

Mr. COWARD: We made sufficient calculations to assure ourselves of the general feasibility of the proposals that we put before you, but we do not have the resources of your own department of insurance and your own technical experts, and we do not want to enter into any competition with them. We have suggested a benefit of perhaps $25, and the amount that is finally adopted should—and I think would—depend on the calculations that are made to show the exact costs.

Hon. Mr. MCCUTCHEON: The over-all cost would be offset, as you suggested, by eliminating the $600 exemption—or the $800 exemption in the case of self-employed persons—by extending the transition period and by the offset against the welfare payments?

Mr. STEVENSON: That is correct.

Mr. KNOWLES: Mr. Chairman, I was going to switch but may I ask one parallel question?

Is it assumed that if such increases were made or if such supplements were paid the corresponding program would have to be examined, such as payments to the blind and disabled.

Mr. COWARD: Undoubtedly.

Mr. KNOWLES: If we are making these increases, you would favour making them to those in these other categories?

Mr. COWARD: I think the situation of the other categories would need to be reviewed very carefully. I would not want to say that you would automatically increase them.

Mr. KNOWLES: The difficulty you have in mind, I suppose, is that whereas old age security payments, under the federal statutes, are made 100 per cent by the federal government, these others are joint programs?

Mr. COWARD: We have no doubt that those under the supplementary assistance programs would need to be reviewed very carefully.

Mr. KNOWLES: May I ask a question in another area?

I notice your recommendation in paragraph (e) on page 3 to the effect that the 42 year earnings base should be abandoned. I take it that you arrive at that 42 by taking the dropout years away from the 47 that obtain from age 18 to 65. Instead you say that a shorter period of, say, the 10 last or the 10 best years should be used.

I wonder, as a minor point, whether the 10 years in either of those cases would be consecutive or not. The 10 last years obviously would be consecutive, but would the 10 best years of earnings have to be a consecutive period?

Mr. COWARD: Not necessarily, and we do not have any more detailed recommendation than we have given you. We have looked at the United States system as presently in operation, and under this system a person who retires this year may have a pension calculated on the best 10 years, which do not, I believe, have to be consecutive.

The United States system, from time to time, has had a longer base. There has been a considerable number of amendments to the pension formula, and they have had "new starts". On the new start basis the average is a 10 year average.

Mr. KNOWLES: I recognize from what you say in your brief that you advocate this in part because it would be simpler and less complicated than the indexing formula that was in the plan.

I wonder if you have made any studies comparing the results of a 10 year base with the indexing formula that has been put forward. Never mind the fact that over a period of a man's working career changes in the wage rates might be such that to escalate the base for a man's pension might actually give him a better pension than doing it in this way.

Mr. COWARD: I would think this is quite improbable. If you would look at our brief, in which we elaborate on the item which is now under discussion, you will see our point which is that a person would have to have earned considerably above the national average in every single year of a 42 year period in order to obtain the maximum pension.

On general reasoning, it would seem much more likely that this maximum pension could be reached if it were based on a 10 year average—a man's 10 best years.

Mr. KNOWLES: I realize we are both dealing in probabilities here without having statistics, but do you not conceive the possibility that a person after 40 years might, on the indexing or escalating arrangement, get much better credit for the low wage he was getting years ago in terms of today's wage index?

Mr. COWARD: May I say this? Whether you eliminate the wage index or not, I am quite convinced that successive governments will keep these benefits in line with average wages. I do not think you are deciding whether to have benefits that go up with average wages in this country or benefits that do not go up with average wages; you are deciding whether to do it with an automatic built-in escalator factor or to do it through periodic action by the government of the day.

The experience of the Canadian old age security, and of the American and of the British, shows quite convincingly that the government will take the necessary action from time to time.

Let us agree, if it is done by periodic government action there may be a period of years when nothing happens; and then there may be a substantial jump. Escalation is not quite so even. But there is no doubt at all that it happens, and all the probabilities are that escalation would continue to occur.

Mr. KNOWLES: Are you not comparing unlikes here? I am talking about your proposal that the last 10 or the best 10 years of earnings be used as the base as compared with the Canada pension plan's proposal for a 42 year period with indexing before the pension is calculated. Have not the present bill and yours built-in automatic features for determining the basis and the amount of the pension that the pensioner would draw? When you talk about a change in the figures by governmental action, that is a different thing and it could happen in any scheme. Are not the two things compared in paragraph (e) automatic or built-in elements?

Mr. COWARD: We think that the use of the last or best ten year average would replace, to a considerable extent, the automatic wage index factor, and that it is a matter of speculation whether the one would increase pensions faster than the other.

Mr. KNOWLES: That really is the answer to my question; you do not have any figures to set these two ways against each other?

Mr. COWARD: No.

Mr. KNOWLES: You think that this is simpler, and on the basis of speculation you think it would be as good?

Mr. COWARD: May I make one general comment at this time. Obviously, this problem will not arise in the first 10 years of the plan; it will not become acute until the plan has been running for some 20 years or more. But visualize the situation of people who are 18 years of age when the plan comes into effect. Forty-seven years from now they reach the age of 65 and retire, and find that their pensions are being cut back. They cannot reach the maximum because they had 10 or 15 years of relatively low earnings when they were in their 20's or early 30's. I think you will realize that it becomes quite certain the plan would eventually have to be altered.

Mr. KNOWLES: This is a point which others have addressed themselves to, and I think it is a valid point. But, the other suggestion is made to increase the number of drop out years allowed.

Mr. COWARD: That would be a change of the same type as the one we have in mind.

Mr. AIKEN: Mr. Chairman, I have a supplementary question. This particular recommendation also would bear on those who would retire before age 65 and have several years of zero earnings, which would bring their average down drastically. Is that not correct?

Mr. COWARD: That is correct.

Mr. KNOWLES: The proposal to lengthen the maturity period from 10 years to 20 years, I assume, would have the effect, in respect of those who are now 55 years of age, of cutting in half the pension that they could count on at age 65.

Mr. COWARD: Except that many of them would receive the minimum pension of $25 a month, the pension would be reduced to 50 per cent for the rest of that group.

Mr. KNOWLES: Now, if a person who might under the present bill anticipate a pension of $104 gets only $52 under this cut-back he does not get the $25 on top of that.

Mr. COWARD: No, sir.

Mr. KNOWLES: Certainly not between the ages of 65 and 70.

Mr. COWARD: No.

Mr. KNOWLES: Would he get it at age 70?

Mr. COWARD: No, there is nothing on top. The $25 is a minimum. But, if the gentleman that you are talking about has a father who is 84 years of age the father will get the $25 a month, and I think it is reasonable that some of us should pay for our aged parents.

Mr. KNOWLES: That does take us back to the other question. I understood clearly that the $25 would be added to those over 70 now drawing old age security.

Mr. COWARD: Yes.

Mr. KNOWLES: But people who, in the meantime, attain age 65 ten or twelve years from now can get the Canada pension, but when they attain the age of 70 years they would not get the extra $25?

Mr. COWARD: They would have their pension made up to a minimum of $25, or to a minimum of $50 for a married couple, but they would not get $25 flat plus the Canada pension.

Mr. KNOWLES: Thank you. These $25 and $50 figures are not additions but guaranteed minimums.

Mr. COWARD: Yes.

Hon. Mr. CROLL: Mr. Chairman, at this moment I think Mr. Coward should review the evidence because I was under the impression he used the words "on top", and then he corrected it. But, there will be a conflict in the evidence unless it is properly corrected. I think your present answer is what I thought it meant but I believe your answer was different when you were replying to Mr. Knowles.

Mr. KNOWLES: Earlier I was under the impression that all those age 70 and over from now on received an additional $25.

Mr. COWARD: I am sorry if I was not clear. What we said was that for those now receiving old age security it would be on top; for those who qualify for old age security and nothing else in the future it would be on top. For those who qualify for a Canada pension benefit it will be a minimum.

If you adopt the $25 figure, which we have tentatively suggested, it will will have the effect of ensuring that there is a basic pension from government sources of $100 a month to every Canadian upon retirement.

Mr. KNOWLES: I have one further question and I do not want you to think it to be an attempt to trap Mr. Coward or the government of Ontario, but this is a point which interests me and, I am sure, interests others. I have read very closely the statement which you have given to us this morning. I also was able to obtain a copy of the statement made by Mr. Roberts in the legislature on January 21. After reading it two or three times it seems to me to be very clear, certainly by implication, although there is not the exact sentence I wanted to see there, that Ontario has made the decision to come in. Am I correct in assuming that you are here to try to get us to make changes and you are going to do your best to make us make these changes, but if you do not get all the changes, in any case, Ontario is still in. Is that a fair interpretation?

Mr. COWARD: I think you had better stay with Mr. Robarts statement in that connection. I think he can speak for himself.

Mr. KNOWLES: If Mr. Coward has not the statement with him I can supply him with mine. But, perhaps, Mr. Chairman, it might be the wish of members of the committee that the statement which Mr. Robarts made in the legislature on January 21, when he tabled the brief, be added as an appendix to our proceedings.

The CHAIRMAN (*Mr. Cameron*): Is it agreeable that the statement made by Mr. Robarts in the legislature on January 21 be appended to today's minutes?

Some hon. MEMBERS: Agreed.

Hon. Mr. MCCUTCHEON: Mr. Chairman, I think it should be agreed that Mr. Coward should not be subjected to cross-examination on the contents of Mr. Robarts' statement.

The CHAIRMAN (*Mr. Cameron*): I think that is understood. I do not think Mr. Knowles intends to proceed any farther along those lines.

Are you finished, Mr. Knowles?

Mr. KNOWLES: Yes, for now.

The CHAIRMAN (*Mr. Cameron*): I am going to make a suggestion in respect of members who wish to put questions. I would suggest that from now on members will be restricted to one question, together with any supplementaries that arise from them, and if you have another question and someone else does not raise it later on then you can raise it the second time around. Is that agreeable?

Some hon. MEMBERS: Agreed.

The CHAIRMAN (*Mr. Cameron*): I would suggest that only one topic be opened up by each questioner; then we will deal with any supplementaries and then pass on to the next member to open up another subject. Is that agreeable?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Will you proceed, Mr. Chatterton.

Mr. CHATTERTON: May I start off, Mr. Coward, by commending the government of Ontario for their excellent proposals which, if adopted, would lead to a more comprehensive and fuller plan. It would also have the effect of removing some of the major inequities in respect of benefits to certain groups and would fill certain gaps.

I would like to refer you to paragraphs (c) and (d). You indicated to Mr. Knowles that you thought supplementary benefits should be looked at again. You have said the $25 flat payment should be made payable to anyone who has contributed at all to the plan. In the present proposal the supplementary benefits become payable only after a minimum period of contribution, for instance in the case of disability, only after the contributor has paid for five years. Would you say this $25 minimum should become eligible as supplementary benefit without these minimum contributory periods?

Mr. COWARD: I think you are asking me whether the $25 minimum should be paid to those who become disabled?

Mr. CHATTERTON: Yes, or widowed.

Mr. COWARD: Or, widowed.

Mr. CHATTERTON: Or orphaned.

Mr. COWARD: There is, of course, a $25 flat minimum in the present Canada pension plan.

Mr. CHATTERTON: But only after the minimum period of payment.

Mr. COWARD: I take it your quesion is whether the minimum period of payment should be eliminated?

Mr. CHATTERTON: Yes.

Mr. COWARD: I think that might well be considered. But, we have no positive recommendation on this matter.

May I make a very general remark; we have been concerned with a very few broad principles and we have not concerned ourselves with developing these into areas of detail. I do not think it is necessary or proper for the government of Ontario to come up with a detailed alternative plan, but we are prepared to accept the Canada pension plan subject to certain fairly major changes. "Accept", of course, does not mean whether we join it or do not join it; it means that we heartily endorse it as a well designed plan.

Mr. CHATTERTON: Do you feel that those in this gap between the ages of 65 and 70 should be eligible for the old age security subject to an earnings test?

Mr. COWARD: Yes.

Mr. CHATTERTON: There is a large group which fills one of these gaps, and I am thinking of the group under age 65, who will not in any way be eligible even for your flat rate $25 pension. I am thinking of those who contributed under the plan, such as widows or those who already have retired and under age 65. Have you considered this group and considered any way of filling that gap?

Mr. COWARD: There are assistance programs which can be of help to that group, and under the Canada pension plan, subject to contributions being made for those periods which you mentioned, they will gain benefits. I would think

that when the plan has been in operation for only a very few years there will be a very high percentage of coverage for people in that class.

Mr. CHATTERTON: Those under 65 are not eligible for old age assistance and if they have not contributed at all under the Canada pension plan they get nothing whatsoever. I believe those people are a fairly large group.

Mr. COWARD: They are eligible for disability pension and they may be eligible for unemployment assistance. There are programs that do apply to the group.

Mr. CANTELON: May I ask a supplementary question at this point? There are also those who have retired on private pension plans at the age of 60. These people will have some years to wait before they are eligible under the Canada pension plan. Have you thought of including them?

Mr. COWARD: I am not sure what you mean by the word "including", whether you mean that they should be allowed to contribute during their retirement or whether you mean that their benefits should start at the time that they retire before the age of 65.

Mr. CANTELON: What I had in mind was that these people will be at a serious disadvantage. The loss of the years from the age of 60 to the age of 65 will obviously seriously affect their pension.

Mr. COWARD: During the transitional period their pensions will be relatively small. Our proposal that the pension be based on the past 10 years' average earnings would ensure that when this plan has been running for some time they will not be penalized by having no earnings during the years from the age of 60 to 65.

Mrs. RIDEOUT: Mr. Chairman, Mr. Knowles asked the question in which I was interested. Nevertheless, thank you very much.

Hon. Mr. MCCUTCHEON: Mr. Coward, it is stated in your brief that the government of Canada has indicated on several occasions that the basic principles of the Canada pension plan are unchangeable. Would you like to elaborate on that statement? It appears in paragraph 2 of your brief.

Mr. COWARD: Would you please refer to pages 29 and 31 of your committee hearings on November 24, 1964. The Minister of National Health and Welfare was giving evidence and she said:

> I am not really foreseeing that there will be great divergence on questions of principle by the time you conclude these hearings.
> She also said:
>
> I have been a member of the lower house for only four years but I have never been a member of a committee which met where there was any suggestion of change in the underlying principle or anything of that nature, but there may have been suggestions in respect of matters of detail.

On April 20, 1964 the Prime Minister said in the House of Commons "The fundamentals of the plan had never changed; we have adjusted the details."

I think that these statements carry to our minds very clearly the implication that the government of Canada has indicated that the basic principles of the Canada pension plan are unchangeable.

Hon. Mr. MCCUTCHEON: Of course you studied all the plans. This is the third plan we have had before us. On the basis of what the Prime Minister has said, the principle of this plan is the same as the principle of the plan introduced 18 months ago. Whether you accept that or not, I have some questions about that in my own mind. Do you consider that the recommendations you are making are changes in principle?

Mr. COWARD: They are substantial changes but I do not think that they are in basic conflict with the principles that the Prime Minister of Canada laid down early last year. That was a statement of principles. I do not think our recommendations conflict with those principles. Nevertheless, they are fairly major changes.

Hon. Mr. MCCUTCHEON: Fairly major changes have been made prior to this.

Mr. COWARD: They certainly have.

Mr. MUNRO: Could I ask a supplementary question to Senator McCutcheon's questions? I think the wording was that the fairly basic changes to which Senator McCutcheon referred had been made to the plan. They would have evolved through a series of federal provincial conferences in which Ontario participated and as a result of exchanges of correspondence at various times between the Prime Minister of Canada and the premier of Ontario, and also as a result of negotiations carried on between the federal officials and yourself. Is that correct?

Mr. COWARD: No, sir. I would think that that is not true. I sincerely believe that the major changes were the result of negotiations carried out with the province of Quebec, and did not arise directly out of the federal provincial conferences that have been held.

Mr. MUNRO: I would like to refer you to paragraph 4 of your brief, and more particularly to paragraph 7 on page 5. You seem to indicate there that the government of Ontario has appreciated the previous discussions that have taken place between the province of Ontario and the Canadian government, and in particular you are happy about the three items that were incorporated as a result, presumably, of submissions from yourself and other provinces. You conclude by saying,

> In addition, the availability of the reserve fund to the provinces meets one of Ontario's previous criticisms.

As I indicated, you also state that you welcome the safeguards to ensure that significant changes would not be made without Ontario's agreement. I wonder how you reconcile this statement on page 5 with your answer to Senator McCutcheon?

Mr. COWARD: Mr. Munro, we genuinely welcome these things, and we think they have made this plan into a better one. However, one of these things touch in any way the benefit and contribution structure of the plan which we think is of major concern at the present time. The inclusion of the survivors' and disability benefits does touch the benefit and contribution structure, but the retirement benefit formula and the level of the contributions are not things which were affected by the representations made by the province of Ontario.

Mr. MUNRO: You are probably referring in particular to the transition period. Is that so?

Mr. COWARD: No, sir. I am referring to the whole benefit and contribution structure of the plan: the ceiling, the contribution exemption idea and its level, the amount of contributions, the formula for the benefits, and in general the matters related to the financial structure of the plan, that is the benefits and the contributions; the way in which those affect the man in the street. As I say they have been developed with little regard for the briefs that had been presented by Ontario.

Mr. MUNRO: If I may continue to follow that line of questions, surely I would think that—subject to correction by you, Mr. Coward—the basic principle involved here is that this is an earnings related pension plan, that it is

related to the earnings of employees upon which they make contributions. I wonder what your opinion is. Would you regard this as one of the basic principles of this plan?

Mr. COWARD: Statements have been made that this is a pension plan, and statements have also been made that it is a welfare plan. I myself would prefer to go along with the suggestion that it is best thought of as a social insurance or a social security plan. It was called a social security programme in the white paper that was issued by the government. I would go along with that concept.

From this I would not draw the conclusion that the benefits must be wholly related to earnings, nor would I draw the conclusion that they should disregard earnings. I think we are up against a practical problem where we are proposing, on the contribution rates that are set out in the plan, to collect in the first year in excess of $400 million for Canada apart from Quebec, rising to in excess of $600 million after 10 years. If you are collecting money of that sort I think you should decide where it would do the most good for the most people at the present time. One of your criticisms is that you have gone overboard in following the earnings related principle in this plan.

Mr. MUNRO: I have one final supplementary question. Have you ever questioned this basic principle of what you call this plan, namely a social insurance plan; in any of your negotiations have you ever rejected this basic principle and suggested an alternative?

Mr. COWARD: From the time the plan was first proposed we have pointed out, with increasing emphasis, that the plan leaves a large section of the population with no benefit from this particular plan. I have not forgotten, of course, that they will receive old age security benefits.

Mr. MUNRO: I was not particularly referring to certain gaps that had been dealt with in this committee. My question was in respect of the basic principle of this being a social insurance program as you call it. Have you ever objected to this basic principle of this program in the past?

Hon. Mr. MCCUTCHEON: What basic principle is the questioner speaking about?

Mr. MUNRO: I have already put the suggestion to Mr. Coward that this is an earnings related program and he indicated that so far as he is concerned he feels the basic principle underlying this plan indicated it was a social insurance program. Using his own terminology I am inquiring whether the province of Ontario ever has rejected this basic principle and offered an alternative; for instance, I note that you are recommending an increase in the transition period, and I believe Ontario has been very insistent on that all through the negotiations.

Mr. COWARD: And the province of Quebec.

Mr. MUNRO: I realize that, but it would seem to me that emphasis on the transition period is an argument in respect of the basic concept of this plan that it is based on an earnings related principle and based on contributions based on earnings. I wonder whether you have ever rejected this basic principle and offered an alternative to it?

Mr. COWARD: I think the government of Ontario and its officials have repeatedly drawn your attention to the fact that the plan leaves out approximately one million persons over the age of 70 and will leave out other substantial groups. We are suggesting that the benefit should be extended to those groups. I have no doubt in my mind that this has been the burden of our objections for some time.

Hon. Mr. McCUTCHEON: Moving away from the earnings related principle to that extent.

Mr. COWARD: We are advocating a mixed plan with a flate rate element and earnings related element.

Mr. MUNRO: In advance of this proposal, have you made a suggestion that there be a mixture of two basic principles, the flat rate and the earnings related.

Mr. COWARD: I do not think it is this easy to speak about principles. I think we have suggested the plan should be divided to meet two things. We recognize and accept that there should be an earnings related element. We also are very conscious of the obligation to those persons who now have $75 a month and never will get any more except through a small degree of escalation. We believe the plan should try to cover all of the problems.

Mr. MUNRO: But, Mr. Coward, it is not I who used the terminology of the basic principle, it was you in answer to Senator McCutcheon. However, it is to you I am looking to for an answer. I would have thought you meant the earnings related principle and the flat rate principle which presently are basic concepts of the Canada pension plan. If this is not what you are referring to, I would appreciate your stating what you do mean.

Mr. COWARD: What we say is the government of Canada indicated that the principles are unchangeable.

Mr. CHATTERTON: Mr. Chairman, on a point of order, I believe the ruling to the effect that members be limited to one question also should apply to supplementary questions. May I ask one supplementary question?

The CHAIRMAN (*Mr. Cameron*): You may in a minute. I have been listening very carefully and I think Mr. Coward did answer the question when he replied to Senator McCutcheon to the effect that the changes or improvements that the province of Ontario is proposing do not interfere with the basic principles of the bill as we understand it. Is that not correct? They are changes, they are improvements, but they do not interfere with the fundamental principle.

Mr. COWARD: Surely, the purpose is to design a plan that will best meet the needs of all the people of Canada whether they are now retired or not, and whether or not they will have earned income in the future. It is our honest and sincere desire to improve the Canada pension plan to give most benefit to those where it will do most good. We have no other purpose in coming here.

The CHAIRMAN (*Mr. Cameron*): I think we understand that.

Mr. CHATTERTON: We now see how cooperative federalism works when two major recommendations are ignored. My question is—

Mr. BASFORD: On a point of privilege; the brief in paragraph 7 clearly states that a number of suggestions already have been accepted. Mr. Chatterton's remarks are without foundation.

The CHAIRMAN (*Mr. Cameron*): I think Mr. Chatterton probably will wish to rephrase his question.

Mr. CHATTERTON: That was a statement. My question is this: In respect of paragraph 4, do I take it that the objectives of your proposals had been put at the federal-provincial conferences?

Mr. COWARD: Yes, sir.

Hon. Mr. McCUTCHEON: Except the one in Quebec which you did not attend?

Mr. COWARD: Yes, sir, if that is counted as a federal-provincial conference within the meaning of Mr. Chatterton's question.

Hon. Mr. CROLL: I have a question that is supplementary to the supplementary. In the course of discussions on the Canada pension plan, I do not recall

any suggestion comparable to the suggestions being made here now with regard to the old age security portion of it. I am wondering whether it has been discussed and I might have missed it. I see it for the first time in the Ontario brief. Mind you, we had that discussion with the other people who came here, but that was since the committee started. Previous to that I do not recall Ontario publicly raising that portion of it. Did I miss it or was it ever raised publicly?

Mr. COWARD: That has been raised repeatedly, but without a specific suggestion as to how you should deal with the matter. Repeatedly we have said that this plan leaves out a large group of persons now retired and leaves those who shortly will be retiring without the opportunity to contribute to the plan. We have said you should do something about it, but previously we have not made a recommendation that there be a flat benefit designed on these lines. We felt when we came here it was our obligation to carry the discussion a little further and show you the type of thing we had in our mind.

Hon. Mr. CROLL: For myself I welcome it, of course. Getting back to the question of the principle, you said this is a mixed plan between pension, welfare and general social security. Actually, we could leave the pension plan as is and improve the social security aspect—part 4 is what I am referring to—without doing harm to the total plan at all.

Mr. COWARD: It would be my view that that would not be a satisfactory way of handling the matter because of the financing arrangements, which are quite separate for the two parts of the plan. We believe, if you build up a very large fund amounting to five, seven, or perhaps more billions of dollars for the Canada pension plan, and you have an old age security benefit entirely supported by three other taxes, that however high you have raised your old age security there will be pressure to draw on the fund of the Canada pension plan.

Hon. Mr. CROLL: You now are well into the future, are you not Mr. Coward?

Mr. COWARD: I do not think so. The fund runs into billions of dollars after five years.

Hon. Mr. CROLL: Except that it does not belong to the parliament of Canada.

Mr. COWARD: This, perhaps, is not the point. I think the pensioner who had no opportunity to draw from that fund will not look at it in this light and say it does not belong to the parliament of Canada.

He will undoubtedly see a huge fund, and he will see his own pension which he will obviously think is inadequate, and he will want to have part of that fund.

Hon. Mr. MCCUTCHEON: He will take the same objective view that people took of unemployment insurance.

Mr. COWARD: That is an example which is in our minds.

Mr. GRAY: Do I understand you to say that to avoid pressure on the Canada pension fund in future you suggest a measure which would have the fund drawn upon right away?

Mr. COWARD: We would like to see the fund built up a little less rapidly than is presently proposed. We would like to see it designed on the basis that all groups in the population have some claims upon it, and we believe you would get a sounder over-all plan if you do this.

Mr. GRAY: In other words, you are not concerned about the plan being drawn on now by those groups, but just the possibility that those same groups will want to draw on it in the future.

Mr. COWARD: I think the fund should be drawn on now, or rather on the first of January, 1967, for those already retired.

Mr. MUNRO: Mr. Chairman, relating to a matter which Mr. Knowles raised I also wish to indicate how welcome and happy I think we all were with Mr. Robarts' statement with respect to the Canada pension fund which was given in the legislature a short time ago. It was a great deal of encouragement to us all, I am sure. I do not see the purpose really of Mr. Knowles' question because in indicating the welcome as far as Canada's conditions are concerned, and her beginning to help in respect of the plan, I assume Mr. Robarts had clearly indicated that as far as Ontario was concerned they were in the Canada pension plan, and I believe he said it was an irrevocable decision on his part.

I certainly wish to indicate to the Ontario representatives here how happy we are with this decision on Ontario's part, but I do not think there is any question or reason for many of the suggestions which Ontario has in its brief, that they are not ones which will be considered, or which have been raised before in other briefs. Personally, I do not think that many of them involve any alteration of basic principles, but I suppose it is everybody's opinion what is a basic principle.

Mr. COWARD: That is gratifying, because if the plan does not involve changes in basic principles it will be that much easier for the government of Canada to accept our proposals.

Mr. MUNRO: I wondered about considering different basic principles.

Hon. Mr. MCCUTCHEON: He has said that already once before.

Mr. MUNRO: Do you agree that the changes you have made are not changes in basic principles?

Mr. COWARD: If it would assist you to adopt them, then I would. If you are willing to adopt the changes we have suggested to make this a better plan, and if it is agreed to by all the provinces in Canada, it would become a shining example of co-operative federalism.

I am quite aware, of course, of the statement made by Mr. Lesage last week indicating that he will not introduce the Quebec pension plan until he is given the result of representations which the government of Ontario would make to you.

Mr. MUNRO: This recommendation is quite a substantial change. I shall avoid calling it a basic principle for the time being, but the basic change indicates perhaps a $25 increase in the flat benefits. As I understand your answer to a previous question, this suggested change had never been made until this time, and in these terms had never been expressed before.

Mr. COWARD: It has not been expressed so specifically, but it has been included in our representations, comments and briefs going back to July, 1963.

Mr. MUNRO: I think it is a suggestion which certainly should receive consideration, and as Mr. Coward himself has stated, this suggestion of $25 is being advanced in these terms, and it is now being put in this statement, and it has never been suggested in that amount before. Mr. Coward himself has already indicated that he is not prepared—because they did not have the officials to examine into this matter—to give us any estimate as to the cost of providing this additional amount. I wonder if he does not feel that perhaps that suggestion—which I think we all agree is a very substantial change at this time and was not expressed before—does involve a considerable amount of work on the part of somebody? Because, as you yourself have indicated, even to give an estimate of what is involved would be beyond your capability or the capability of the province, and presumably it would have to be undertaken as a study by someone.

Mr. COWARD: Are you suggesting that an obstacle to adopting it is that there will be a considerable amount of work to be done by your officials?

Mr. MUNRO: No. What I suggest is that I think in view of all the conferences—I believe there has been six federal-provincial conferences and negotiations which have gone on—it would have been helpful if Ontario had come up with this very noteworthy suggestion for a change at some earlier period?

Mr. KNOWLES: Such as at the Quebec conference?

Mr. MUNRO: Even if it had been brought forward prior to, during, or even after the Quebec conference it would have given us some opportunity to discuss the very notable changes with other provinces.

Mr. COWARD: There are a number of things which have been raised here, one as regards the responsibility that we have to provide actuarial estimates of costs in the changes which we propose. We have had actuaries making estimates for us for some considerable time, but I am afraid these estimates have a short life. They become out of date very rapidly. We have had some estimates made partly on the basis of the adjustment of previous reports and partly on new tentative calculations. We have had estimates made on a tentative basis, but I do not think we should place them before your committee.

We have the greatest confidence in your technical staff, and we have no kind of quarrel with your actuaries' estimates and methods that they have used in preparing their reports. And if you adopt our suggestions, or before you adopt them, I am sure you will have a cost estimate made.

As to the question whether this has been raised before, we have repeatedly pointed out this gap in the coverage, and repeatedly suggested that something should be done about it. This time we have suggested that there be a flat benefit of $25 integrated with the amounts under the Canada pension plan, in the way which was mentioned in our brief. What we have done is to put a figure of perhaps $25 on the suggestion previously made. If after examination you feel that the figure should be $20, or $30, or if you think that the 20 year transition period should be one of 18 years, or if you think you should base your pensions on the last 12 years average instead of the last 10 years, we will be quite happy.

We feel that changes of this broad nature in these directions are necessary if the plan is to do a good job for all the people of Canada. We feel that there is no question that those who have already retired are more needy now than those persons who retire 10 years from now, who have had good earnings and who will get $104 a month pension. This is the basis of our whole presentation.

Mr. MUNRO: Have you people in the last two weeks or the last two months requested any information from the technical staff in Ottawa to which you have just referred of what would be an estimate of the cost as far as your recommendation of $25 or any comparable figure is concerned?

Mr. COWARD: No sir.

In order that there should be no misunderstanding, our actuaries, Messrs. Murden and Eckler, who are both consulting actuaries, have been in touch with federal government officials in order to compare notes on certain matters of mutual interest during the course of last year. I would not like you to think that our actuaries have had no conversation whatsoever with federal actuaries.

Mr. MUNRO: They have had no dealings with the chief actuary for Canada in respect of this proposal, as of this time—

Mr. COWARD: The chief actuary for Canada?

Mr. MUNRO: —or the technical staff in Ottawa, be they the actuaries or economic experts?

Mr. COWARD: They have had contact with the actuaries in the department of insurance, who are responsible for the actuarial reports for the Canada pension plan.

Mr. MUNRO: Was this in respect of the suggestion?

Mr. COWARD: Not specifically with respect to that suggestion, but with respect to broader aspects of population estimates and the percentage of participation and such like matters which are, I think, of common interest.

Mr. FRANCIS: Mr. Chairman, I think Mr. Coward has indicated a point that would seem to be the heart of the criticism, and that is the benefit structure itself.

I have tried to think what is the comparison of the recommendations in the Ontario brief and the provisions of the Canada pension plan as it is now before us. I think the Canada pension plan would not provide any benefits in 1966; in 1967 it would go up to $10 a month; in 1968, it would go up to $20; and in 1969 it would go up to $30. Under the Canada pension plan the benefit would go up to $40 in 1970; and in 1976 it would be $104.

I would point out that in quoting figures, M. Coward, I am not trying to take advantage; I am trying to set the record straight for the purposes of comparison.

Your recommendations would be for a minimum of $25 in 1966, and you provide this as a flat rate?

Mr. COWARD: We said in 1967, but if it could be arranged earlier we would not object.

Mr. FRANCIS: In 1968 it would be the same figure, and up to 1971 it would still be the $25 figure?

Mr. COWARD: Yes.

Mr. FRANCIS: Then it would go up in 1972 to $30 a month, and in 1973 to $35?

Mr. COWARD: Yes.

Mr. FRANCIS: Then in 1976 it would go up to $50. It would be 1986 before it would reach $104.

Does this appear to be a reasonable summary of the comparable benefits?

Mr. COWARD: For someone at maximum earnings, that expresses the principle.

Mr. FRANCIS: I said up to this amount.

Let us just contrast the situation of someone, say, in the late fifties approaching retirement, say at 59. Such a person making the maximum contribution would draw exactly the same benefit as someone making perhaps even no contribution or just having contributed for one or two years?

Mr. COWARD: That is quite correct, but the contributions pay for such a minute portion of the benefits that this is hardly material.

Mr. FRANCIS: There is no particular incentive at this stage to postpone retirement for economic reasons?

Mr. COWARD: There is no incentive to postpone retirement under the Ontario proposal.

Mr. FRANCIS: According to the present proposals of the Canada pension plan, for this age group I think there is a fairly strong incentive.

Mr. COWARD: Yes, I think there is a strong incentive to postpone retirement.

Mr. FRANCIS: Under your proposals there would be no incentive in terms of increasing your pension benefit.

It seems to me, Mr. Chairman, this is the heart of what we are talking about in terms of principle. I had always thought of social security programs as being of three general families: the social assistance family; the social insurance family; and then the universal benefit type of program that we have

evolved in Canada as much, perhaps, as has been evolved anywhere in the world.

The Canada pension plan, if it is to be wage related, cannot provide benefits to people who have not to some degree earned the benefits. A flat rate pension can. Mr. Coward, do you feel that in principle the flat rate approach is preferable to the wage related program?

Mr. COWARD: No, I think the plan should provide both. I think this matter of following principles to the point of absurdity has led to error in this matter.

The contributions, as has been shown by many witnesses here, provide only a small portion of the benefits—an eighth or a tenth according to different circumstances. To claim that this is a plan in which you pay on earnings and obtain benefits on earnings and so you cannot vary your formula at all, seems to me to be mistaken.

Mr. FRANCIS: Mr. Coward, at many points in the brief there is reference to need. There is a reference in paragraph 3(*b*), which mentions inadequate provision for those most in need. Paragraph 4(*b*) says that the old age security and assistance and the Canada pension plan should be treated as a single program geared to the needs of older people.

Paragraph 17 makes reference to needs, as do paragraphs 21, 15 and 35.

Would it be right to conclude from this that the province of Ontario would support measures which would be related to some type of tested needs in individual circumstances or a test of individual circumstances?

Hon. Mr. MCCUTCHEON: Mr. Coward is not here, Mr. Chairman, to say what the province of Ontario would support.

Mr. COWARD: I am here to present this brief on behalf of the government, and the brief presents our views. I just happen to see a note which I made against the paragraph you have just referred to, and it is a quotation that appeared in *Hansard* of July 18, 1963, at page 2340 by the Minister of National Health and Welfare. She said, referring to the Canada pension plan:

> It is the natural next step in providing rounded welfare legislation for Canada.

We think this plan has a welfare element and should have a welfare element, and it has an earnings related or equity element too.

We are just interested in designing a sound, practical plan that would meet most of the needs of most of the people in the best possible way.

Mr. FRANCIS: Mr. Chairman, I am going to put my question by relating it directly to the paragraph on page 3 of paragraph 4(*b*) of the brief:

> The old age security and assistance programs and the Canada pension plan should be treated as a single program geared to the needs of older people.

Would Mr. Coward be prepared to expand this paragraph and tell us how old age assistance and old age security and the Canada pension plan could be geared to the needs of older people? I do not think there is an expansion of that particular section in the brief, and I would like to know what was the intention in the selection of that paragraph.

Mr. STEVENSON: Mr. Chairman, I think this is a difficult one to expand just on the face of it. Our basic consideration here, as is spelled out in the recommendations, is that when looking at old age security legislation generally one should look at the coverage provided by each of the programs now in existence. If gaps are left because one of the programs does not provide for something, there should be modifications made so that the three, taken together as a single program, are related more closely to needs than they are now.

In this case, the recommendations would involve a larger welfare element in the Canada pension plan portion.

Mr. FRANCIS: The recommendations appear to me to involve modification to the wage related social insurance and modification to the flat rate social insurance, but there is no comment that relates to social assistance in this brief other than in this paragraph.

Mr. COWARD: No, but social assistance would be affected because we will be providing benefits which are now covered by the assistance programs; that is, at least in the area of people in the age group of 65 to 70 and disabled persons and widows. Modifications in these programs will be necessary, and we believe that they should be integrated. One over-all program should be developed.

We feel our suggestion that there should be a $25 flat component in the benefits under the Canada pension plan should be most acceptable. Something of the sort was included in the first version of the Canada pension plan, and this would surely seem to indicate that there is nothing wrong with the principle of it—if I may use that word at the risk of being picked up.

Mr. FRANCIS: Certainly.

Mr. COWARD: We think the financing of the plans should be unified, if this is possible, in the context in which you are considering the whole matter.

We think, for example, that there is an illogical situation when a retirement test is applied for benefits under the Canada pension plan and an age reduction is applied in the case of old age security. Surely it is only common sense and logic to have the same test for two programs which provide two parts of a man's retirement income.

We would like to see uniformity, not merely as a matter of administrative tidiness but because we think this is the way to develop an integrated, united program.

Mr. STEVENSON: Mr. Chairman, on this point one of our feelings about the Canada pension plan as now proposed—and particularly the proposal for age reduction of old age security—is that this would by implication involve eventually an extension of old age assistance to people over the age of 70 who have elected to take the reduced pension option. This, we believe, would be taking the old age security program slightly away from the needs fulfilment which was the original intention.

Mr. FRANCIS: Do I understand this to mean that Ontario would not approve the extension of old age assistance to people over 70 who had gone on pension?

Mr. STEVENSON: Oh, I am sure it would, but this same problem could be met within old age security if it were granted on the basis of a retirement test and full pension being granted between the years of 65 and 70.

Hon. Mr. CROLL: As I understand it, what Mr. Stevenson is saying is that a man who takes a reduced pension before he attains the age of 70, and is in need, will need augmentation of that when he gets beyond age 70. Of course, that has been discussed before and we share the view this is a weakness in the plan; there is no question about that. But, on the other hand, have you considered the fact that between the ages of 65 and 70 he will be drawing from the Canada pension plan $51, $52 or something of that nature and, to that extent, any province, the province of Ontario for example, will be saving the assistance aspect of it, which is considerable.

Mr. STEVENSON: This is certainly true. But, we feel that under old age security if a person were to receive it as of right after a relatively simple retirement test, the needs would be fulfilled more easily and quickly than

under the extension of old age assistance. I suppose if one takes the question of equity to its most logical extent, an income or a means test finds out what the real needs are better than the retirement test. But the problem is that this would involve individual investigation of the type now required for old age assistance payments, which your retirement test does not.

Mr. AIKEN: I have a supplementary question. Several witnesses last week —and I am referring particularly to the social workers, whose evidence may not have come to your attention yet—have stated clearly that they realize the plan now proposed leaves out a large segment and that other legislation would have to be brought in to cover this group. Do I understand that your suggestion is that this group now be covered under the Canada pension plan instead of waiting for other or further legislation?

Mr. COWARD: This is the first I have heard of other legislation which is going to be brought in to cover other groups. The less I say in commenting upon possible future legislation the better. I am sure, with the programs the government is presently proposing, that it certainly will be busy.

Mr. AIKEN: May I clear this up. This is not an official suggestion; it was a suggestion made by the social workers who presented a brief. This group said there was a large segment of the population not covered by this legislation and that further welfare legislation would have to be brought in to cover them.

What I am suggesting is that your amendment providing minimums for everyone may cover a large number of those people and thereby make further legislation unnecessary.

Mr. COWARD: Our amendments would provide a very worth-while benefit for everyone who qualifies for old age security and, as such, we think that they have great attractions over the present proposal, which provides benefits only for those who have earned income after the plan comes into effect. This is the essence of our story; if hundreds of millions of dollars are to be raised by new payroll taxes, which are called contributions, they can be applied to do far more social good than by confining the benefits to persons with earned income after January 1, 1966 and, in particular, putting those benefits on a higher level for the ones with the highest incomes and at the minimum levels for those who have very small incomes.

The CHAIRMAN (*Mr. Cameron*): Have you completed your questioning Mr. Francis.

Mr. FRANCIS: I have just one brief comment. I am concerned about the cost. Did I understand Mr. Coward to say he was satisfied that the recommendations were generally within the revenues that he anticipated available to the Canada pension plan, and that they had done sufficient checking on their own to confirm that the contributions coming in under the plan would permit the carrying out of these recommendations. I know you were very careful to point out that your calculations had to be re-checked and that you did not have the resources at hand to do this. But, I think in making the recommendations you do have to assume some general responsibility as to whether or not they are within the ambit of what we can do.

Mr. COWARD: I will go as far as to say that our tentative calculations had indicated that the fund will build up more slowly than under the present proposition. It will continue to build up to a level of approximately $5 billion, and will reach its maximum at about the time that under your estimates it reaches a figure of $7 billion; then it will slowly decrease and will probably be exhausted at about the same time. Therefore, from the financial point of view we are not suggesting something that puts on new costs which cannot be supported.

Mr. FRANCIS: I am going to put one last comment on the record. I have done rough pencil work. I think the net cost of this program would exceed $400 million a year after all the adjustments are made. But, I am thinking of our recent experience with the unemployment insurance fund and I hope that we would not do to the Canada pension plan what was done to the unemployment insurance fund.

Mr. COWARD: I am sorry, sir, but if you look at the immediate costs the figures are more readily available. I believe that the first year contribution income of this plan will be $427 million. Would someone check that?

The CHAIRMAN (*Mr. Cameron*): I think you said $462 million.

Mr. COWARD: If you provide a benefit of $25 a month to all those presently drawing old age security across the country that amounts to $300 a year to some 980,000 people.

Mr. FRANCIS: Less Quebec.

Mr. COWARD: This includes Quebec. So, the extra immediate costs of our proposal will be something in the neighbourhood of $220 million as compared with the immediate income for all of Canada excluding Quebec of $420 million.

Now, gradually the $25 minimum benefit instead of being a free gift becomes a minimum on the Canada pension plan. As you yourself pointed out in your examples, after a certain number of years the benefit under the Canada pension plan exceeds the $25 that we have tentatively suggested, and from this point on for those persons who are in the Canada pension plan there is no extra cost. The cost of this particular feature is a decreasing one if we ignore the possible effect of escalation.

Mr. FRANCIS: I am very interested in seeing the cost estimates presented to the committee in this respect.

Mr. COWARD: We have in addition suggested that contributions be collected from the first dollar, which would provide some extra revenue, and we feel that this has some extra advantages. There have been no questions on that feature up until now but I would not like it to be forgotten.

Mr. CÔTÉ (*Longueuil*): Mr. Chairman, I have a supplementary question. I assume that you are suggesting that all the recommendations made in the brief should be adopted, and that it is impossible to adopt only one or two and not adopt the others. Let us say, if we adopted paragraphs (*c*), (*d*), (*e*) and (*f*) we also would have to adopt paragraph (*i*) and paragraph (*j*), otherwise it would throw the whole plan off balance.

Mr. COWARD: Well, I think that you still would be very much failing in your duty to the old people if you did not adopt the suggestion in paragraph (*b*); paragraphs (*b*) and (*c*), in our minds, go together as two parts of one suggestion, that there should be a universal minimum pension in Canada for those who qualify for it of $75, plus something, perhaps $25, from the Canada pension plan. Leaving out the qualifications we will say there should be a minimum pension of $100 a month for everyone reaching retirement age with an adequate residence in this country. I would not like paragraphs (*b*) and (*c*) to be divided, one adopted and the other not adopted. I might say that we feel that suggestion (*i*) is one that has a number of advantages from all points of view and certainly should be adopted. In respect of the transitional period we join with our sister province, Quebec, in strongly urging that you adopt a longer transition period.

Mr. CÔTÉ (*Longueuil*): What I am suggesting is that these are tied together and that if we give more benefits we should have bigger contributions.

Mr. COWARD: Yes.

Mr. CÔTÉ (*Longueuil*): In other words, we cannot adopt your suggestion of giving bigger benefits if we do not adopt your suggestion that we obtain more contributions out of it because it would throw the whole thing off balance.

Mr. STEVENSON: Mr. Coward, in his opening statement which he read to the committee this morning, suggested that although the recommendations are not necessarily a total package, if one were to consider suggestions which would increase the cost of the plan it might be advisable also to consider other recommendations which would have an offsetting effect.

Mr. CÔTÉ (*Longueuil*): But they are tied together in such a way that if you give better benefits you have to demand better contributions.

Mr. COWARD: We do not necessarily think that the fund need grow to so large a size. We agree with one of the principles of the original Canada pension plan which is that it should be a pay as you go proposition, if this is a principle rather than a detail.

Mr. CÔTÉ (*Longueuil*): You do not agree with that?

Mr. COWARD: I said that we are not in disagreement with that. The government of Ontario is not opposed to partial funding but has never pressed for a large fund. The government of Ontario has maintained that if there is a fund, it should be made available to the provinces for investments. However, we have never favoured a large fund as such.

Mr. AIKEN: Mr. Chairman, I wonder if I might ask a supplementary question.

The CHAIRMAN (*Mr. Cameron*): Supplementary to what?

Mr. AIKEN: Supplementary to the question put by Mr. Francis in connection with the elimination of the exemption on the first $600. What I want clarified is this: at the moment in the plan anyone receiving a total annual earned income of less than $600 does not contribute to the plan or become part of the plan at all. However, if they earn more than $600, they only contribute on that amount which exceeds the $600. I should like to ask whether in suggestion (*i*) the exclusion of all those earning under $600 is contemplated, or whether everyone earning anything would become a contributor to the Canada pension plan.

Mr. COWARD: We would suggest that you follow the general rules that were in the first version of the Canada pension plan, by which you collect from the first dollar, but under which groups from whom it is exceedingly difficult to collect contributions, where there are severe administrative problems, could be exempted by regulation. We feel that there are some people from whom it would be most inconvenient to collect contributions, and who probably might not wish to pay. In any event they would get the $25 minimum in due course. As a general rule we believe you should collect from the first dollar, and this will have a number of advantages.

Mr. PRITTIE: How much more revenue would that bring in if you wiped out the $600 exemption and collected from the first dollar?

Mr. COWARD: I do not think I want to give figures. I am sure that the government experts could give you an answer very quickly and readily to that particular question.

Mr. KNOWLES: I have a supplementary on this same point.

The CHAIRMAN (*Mr. Cameron*): I will call this supplementary the last one on this point.

Mr. KNOWLES: In so far as this has some relevance to the question of getting extra money, did the Ontario government consider, as an alternative

to wiping out the $600 exemption, the possibility of collecting contributions up to a higher level than the $5,000 figure?

Mr. COWARD: No, sir, we did not consider that alternative.

Mr. LLOYD: Mr. Coward, may I say, first of all, how much I value the manner in which you have enlightened us through the answers to questions put to you. I must say that I have a far better appreciation now of the message you are bringing to this committee reflecting the policy of the government of Ontario than I would have had by merely reading the brief. I gather from your observations that the effect of the payroll tax hits you pretty hard at the beginning; does it not, in your consideration? This is where you really take off to judge the system. You have said they are called contributions, but in effect it is a payroll tax.

Mr. COWARD: No, sir. I am not suggesting that this is not a suitable way of raising revenue, and I really do not mind what things are called. I am trying to see that we get a pension plan that does the job.

Mr. LLOYD: But you are not questioning the need to impose this kind of tax to provide a revenue for a purpose?

Mr. COWARD: I am not suggesting that you need have had quite such a high contribution rate.

Mr. LLOYD: May I put it another way? If, in the wisdom of those responsible for imposing taxes, it is concluded, by agreement among all provincial and federal authorities, that plucking the feather from the bird might better be served by using payroll tax, then they must keep in mind that this particular tax should be devoted in some comprehensive way to a distribution between providing wage related pensions, providing sums for capital investment during an interim period, or not doing so. You should bear in mind that some part of it should not be wedded to principle too tightly, that some parts should be related to improving the immediate old age assistance needs. This is really the problem, is it not? We are not quarreling over the fact that it is desirable to achieve an extension of wage related pensions in Canada. You do not quarrel with that as a general principle, you do not quarrel with the use of a payroll tax being used to a reasonable degree for that purpose. You have some reservations regarding how much of the payroll tax—I am going to continue to call it a tax—should be used, on behalf of the provincial government, for funding capital requirements. In your report you raise some questions on the size of the fund.

Mr. COWARD: What we indicated there is that the government of Ontario has no objection to a partially funded plan but has never pressed for any particular level of funding. One matter that we have raised in this regard is that the level of funding appears to be completely arbitrary and completely accidental. It seems to us that it is totally unplanned. It is not based on any actuarial principle, as far as I have been able to detect. I could understand a considered judgment that it might be advisable to maintain at all times a fund which was equal to two years' outgo of benefits, or a fund that would pay for the pensionaries, but this fund has just happened.

Mr. LLOYD: Let us follow your particular observation and the criticisms you have made. You said you do not recognize anywhere any comprehensive calculation of how much the fund ought to be, and you cannot see any actuarial calculations involved. Would you care to give us your views as to how that fund should be calculated? Mind you, sir, please understand that I recognize in you a very competent authority in actuarial matters, and I am looking for your professional judgment.

Mr. COWARD: You are very kind. Personally I do not think there is any need for any fund beyond a reasonable working balance such as the $300 million that was proposed in the original Canada pension plan. Apparently some others feel that there should be a substantial fund. The Ontario government does not object to partial funding and has so stated. I have expressed my personal preference, and I am not at odds with my government on this. Both of us are agreed that if you have a fund, you should have some yardstick or milestone by which to measure its adequacy. Otherwise you do not know whether you are running into trouble and whether or not you are falling behind your standards or whether you are putting aside more than is necessary for your purposes.

Mr. LLOYD: So that one might say you should try to find some way of measuring the need to avoid too frequent changes in the rate of the first 10 years. That would be one of the things you might look at.

Mr. COWARD: Yes.

Mr. LLOYD: And you might also keep an eye on what you think are the economic trends and what might be a wise reserve so as to avoid embarrassing impacts on the budget at certain times in the reasonably distant future. You cannot foresee 30 years in the future but you can foresee 10 years, could you not?

Mr. COWARD: It is unlikely that there should be a sudden call on the budget. This type of plan does not suddenly generate a need for a massive pay-off. Everything happens pretty steadily.

Mr. LLOYD: So that in your opinion the fund should not be built up with priority of thought given to providing capital from profits?

Mr. COWARD: That would not be a priority reason.

Mr. LLOYD: It would only be an incidental result of having some contingency reserve that could create these funds for that purpose and that purpose only.

Mr. STEVENSON: May I add one point regarding the early part of your question about a payroll tax. One consideration which we certainly have also been discussing, although it does not appear in the recommendations and there is no firm policy on it, is the desirability of providing for those recommendations which add to the welfare component of the benefit by a contribution which is tax deductible and which therefore has quite a difference in impact on different employers and employees; with the tax deductible contribution, the higher income contributor actually is paying less than the low-income contributor. The non-taxable employer has a heavier burden to pay than the one with the higher profit.

Mr. LLOYD: We have had some evidence before this committee in respect of the relationship of these deductions to the taxability of those on the present tax lists. For example, the Canadian Manufacturers Association liked the way the payroll contribution permitted them to deduct the employer's conribution from the income, whereas under the old age security plan, the 3 per cent of the corporation tax was a tax derived from income and the income tax on income, as such, did not permit them to take it as a deduction. You interjected on the subject of payroll taxes. I would like to get back to Mr. Coward to show that really what we are all saying is we accept payroll taxes and we accept the need for a wage related plan, but the fact that it is a payroll tax does not in itself tie you too tightly to devoting all those payroll taxes to wage related benefits. In some way it could be used to improve the flat rate. That is what you are saying?

Mr. COWARD: I think so.

Mr. LLOYD: Thank you very much.

Mr. GRAY: Mr. Chairman, before putting my question, I think it might be advisable to bring to the attention of the committee—in view of what I understood to be Mr. Coward's previous statements to the effect that we are prepared to accept the Canada pension plan subject to certain major changes—to what appeared on the front page of the *Globe and Mail* for January 22, 1965, referring to Premier Robarts.

The CHAIRMAN (*Mr. Cameron*): That already is part of the record—the whole statement.

Mr. GRAY: I am referring to a press report which appeared on the front page of the *Globe and Mail* in the same edition in which the statement was reproduced. Referring to Premier Robarts it reads:

> He told reporters that even if Ontario's remaining objections are not met his decision to join a federal plan is irrevocable.

Mr. COWARD: May I say that I do not think I made any statement to contradict that statement; if so, I apologize. What I did say was if the major changes which we propose are accepted, we will be wholeheartedly in favour of it and will regard it as a triumph of co-operative federalism and as having given Canada an excellent new pension plan.

Mr. GRAY: I will let the record speak for itself. Because of your function as a civil servant, I did not intend to engage in a detailed discussion of this aspect with you. I thought it would be unfair to you. However, I think the record should have this press report on it.

Mr. AIKEN: I think it is better to rely on official statements rather than on press reports.

Mr. GRAY: Even in the *Globe and Mail*?

Mr. AIKEN: Yes, even in the *Globe and Mail.*

Mr. GRAY: I was interested in the comment about the contribution and the obligation to contribute to people earning $600. This subject came up before this committee previously on the part of other witnesses. The point was made that this would impose on persons earning under $600 a year a rather greater burden in proportion to persons earning above that amount. What would you think of that comment?

Mr. COWARD: It will impose on them the obligation to pay an amount which might be as much as 90 cents a month which is no doubt a burden, but is hardly a very large burden. We feel that any disadvantages of eliminating this $600 contribution exemption would be outweighed by the very great advantage to most of those in the low earnings area of having a guaranteed $25 minimum pension.

Mr. GRAY: What do you think of the possible suggestion that persons earning under $600 should get some type of coverage such as you have outlined but who would contribute only on their earnings over $600?

Mr. COWARD: I would think it would be better to follow our suggestion to save some appalling administrative headaches; that is, to collect contributions from the first dollar.

With regard to the administrative problems, may I draw your attention to the proposed form for collecting refunds which was presented to us by the federal officials on June 24, 1964. I think any ordinary person trying to use this form would get a headache. I believe, for the small amount of relief you give, it would be better to collect and give him instead a $25 minimum pension. All our discussions with those concerned with the administration have made it very clear that this is a large administrative burden. In fact, I believe

statements have been made before this committee that it will be the cause of at least one million refunds being made every year.

We sincerely think that if you eliminate that $600 exemption and provide the other benefits that are mentioned in our brief, you will end up with a much better pension plan. Is it your wish that this might be placed on the record? This is something which low income people are supposed to read and understand. It taxes our own technical group.

Mr. BASFORD: Mr. Chairman, we have just been asked to put a form on the record.

The CHAIRMAN (*Mr. Cameron*): I do not think it is on the record.

Mr. CHATTERTON: I would so move.

Mr. KNOWLES: What is it?

The CHAIRMAN (*Mr. Cameron*): It is a form for calculation of contribution under the Canada pension plan for use by persons with self-employed earnings of $800 or more, or combined wages and self-employed earnings of $800 or more, and also for persons with salary or wage income that has been over-exempted and who elect to make an additional contribution, and so on.

Mr. OSBORNE: May I interject to say that as I recollect this document it was a draft of a proposed form which the Department of National Revenue officials were thinking of last summer when we were explaining to various provincial officials some of the administrative details that would accompany the Canada pension plan as it was then being discussed. However, that is not an official document; it was a draft for discussion purposes and it might well may be that the Department of National Revenue since has made changes in this type of form. You can decide for yourselves whether or not it should go on the record.

Mr. COWARD: I agree with Mr. Osborne's remarks and I am in your hands.

The CHAIRMAN (*Mr. Cameron*): Unless there is some real merit in putting this document on the record, I would think that possibly it should not be filed.

Mr. AIKEN: Mr. Chairman, I think Mr. Coward introduced this particular form to indicate the type of form which approximately one million Canadians will have to complete in order to obtain a refund which will not exceed 90 cents a month in many cases. I think the point is well taken; that is, that perhaps this type of form, even if it has been amended, in any case is the type of form that will have to be filled out. I think his point is that there is the administrative problem, not only of refunding, but also of having people with incomes of less than $600 complete such a form, and that this seemed to point out the difficulty. I think it is a pretty good example.

The CHAIRMAN (*Mr. Cameron*): Mr. Chatterton has moved that it be made an appendix to today's proceedings.

Mr. KNOWLES: I second that. I think there is no objection to it being a part of the record so long as it is identified, and it has been identified.

Mr. FRANCIS: I think the department should be invited to submit an alternative.

The CHAIRMAN (*Mr. Cameron*): Is it agreeable that I put the motion to the committee?

Mr. BASFORD: This is a working paper from a federal-provincial conference. Might we have at the same time the working paper that the province of Ontario presented showing how complicated this form was?

The CHAIRMAN (*Mr. Cameron*): Dr. Willard would like to have the permission of the committee to say a word on this matter before we proceed further.

Dr. JOSEPH WILLARD (*Deputy Minister of Welfare*): Mr. Chairman, I would like to speak on the point of order. There are many documents which are used at federal-provincial conferences which are for purposes of discussion. Normally we do not table documents which have been provided by a province, and we would expect to receive the same courtesy. I think the committee could obtain the document at the appropriate time from the Department of National Revenue when this matter is under discussion. It may be that this is a case where the Department of National Revenue has to come up with a more recent edition of a form and I think that would be the more appropriate way to obtain the information.

Mr. COWARD: In view of Dr. Willard's remarks may I withdraw my suggestion that the form be tabled. I merely wish to indicate that it is an extremely complicated proposition that you are involved in, if you exempt the first $600 of contribution.

Mr. CHATTERTON: In view of that, I withdraw my motion, and I wish to make a new one, namely, to ask that the revenue officials be asked to table the new draft that they prepared.

The CHAIRMAN (*Mr. Cameron*): Is there a seconder? Mr. Chatterton has withdrawn his first motion and substitutes a new motion to the effect that the officials be asked to supply us in due course with a copy of the latest document which would be the logical successor to the one we have before us. Is there any objection to the motion?

Mr. BASFORD: I do not think it is relevant to the presentation of the province of Ontario. I think Mr. Chatterton might very properly, when the officials return to the committee, ask for it at that time. As I understand the procedure of the committee, these officials will be coming back again if we want them to, and I think that is the more appropriate time for us to receive the information.

Mr. MONTEITH: I think the motion is completely relevant at this moment because of Mr. Coward's evidence.

The CHAIRMAN (*Mr. Cameron*): I think so too. It may be that we are being a little premature, and that we could get it later on, but I think we had better make sure about it while we are here. Do we need a show of hands?

Mr. LLOYD: I think one of the most serious problems to which we shall have to address ourselves is this question of refunds, and how the procedures are going to function. As a C.A. himself, I feel that Mr. Monteith will agree with me in his having advised clients in this field, that this is one of the most difficult recommendations or suggestions we have to contemplate, and that any machinery we can set up for action now would be all to the good.

The CHAIRMAN (*Mr. Cameron*): I rule the motion to be in order, and I shall call for a vote. All those in favour? Those opposed?

Motion agreed to.

Mr. PRITTIE: Are we going to continue with the Ontario delegation this afternoon, or shall we continue on now until we have finished with them?

Mr. MONTEITH: It is now 12.30 and I think we should adjourn until 2.30.

Mr. GRAY: This very interesting side issue came up in the course of my questioning, and ordinarily I would have made use of the last five or ten minutes which have been devoted to it. Shall I have such an opportunity later on today?

The CHAIRMAN (*Mr. Cameron*): Yes. Let us now adjourn until 2.30 o'clock. But might I ask what sort of information we should ask Mr. Osborne to obtain for us in regard to relative costs per year under the impact (B) and (C)?

Mr. MONTEITH: I would expect that we would need to have a complete actuarial report.

The CHAIRMAN (*Mr. Cameron*): This is information we are going to ask for.

Mr. CHATTERTON: We are not yet through with the Ontario witnesses.

The CHAIRMAN (*Mr. Cameron*): No, and we shall ask them to return at 2.30 if it is convenient to them.

Mr. KNOWLES: Is it assumed that Ontario will take up the rest of the afternoon, or shall we still have the teachers?

The CHAIRMAN (*Mr. Cameron*): I think Ontario will take the rest of the afternoon.

Mr. AIKEN: They may run out of steam before the afternoon is over.

Mr. COWARD: We are prepared to stay as long as we are needed.

The CHAIRMAN (*Mr. Cameron*): The meeting now stands adjourned until 2.30 this afternoon.

AFTERNOON SITTING

MONDAY, February 1, 1965

(*Text*)

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mrs. Rideout and gentlemen, before we hear any more from the witnesses there are a couple of things I would like to bring to your attention.

I have an answer to the questions raised by Mr. Basford and Mr. Cantelon on January 21, 1965. I also have answers to questions asked by Mr. Knowles on December 1, 1964.

May I have a motion that these become part of our record and be inserted in today's minutes?

Mr. CANTELON: I so move, Madam Chairman.

Mr. KNOWLES: I second the motion.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It has been moved by Mr. Cantelon, seconded by Mr. Knowles, that these answers to questions become part of the record and be included in today's minutes. Is everyone agreed?

Motion agreed to.

Mr. KNOWLES: Would Mr. Osborne by any chance have the figures we asked for this morning?

The CHAIRMAN (*Hon. Mrs. Fergusson*): I think it is a little soon.

Mr. OSBORNE: I have them, Madam Chairman. Shall I proceed?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes, if you will.

Mr. OSBORNE: I was asked what would be the costs of the Ontario proposal. I have a typewritten document of these costs for the record, if you wish, but perhaps I could read it now.

A pension of $100 a month paid to all persons of 70 and over in the year 1970 would cost $1,157.6 million. A pension of $100 a month paid to all persons of 65 to 69 in 1970 would cost $688.8 million. A pension of $100 a month paid to all retired persons of 65 to 69 in 1970 would cost only $511.2 million.

Mr. CHATTERTON: May I have the previous figure repeated?

Mr. OSBORNE: A pension of $100 a month paid to persons of 65 to 69, without regard to whether they are retired or not, will cost $688.8 million.

The total cost of the Ontario proposal, without a retirement test, would be $1.9 billion; and with a retirement test it would be $1.7 billion. The present old

age security benefits in 1970 will cost $974.5 million. The proposed old age security benefit that is proposed in Bill No. C-136 will cost an estimated $1,306 billion.

So the extra cost of the Ontario proposals over the present old age security benefits, without a retirement test, will be $972 million; and with a retirement test, $794 million. The extra cost of the Ontario proposals over the proposed Bill No. C-136 benefits without a retirement test will be $640 million and, with a retirement test, $463 million.

The savings to the federal government regarding the Canada pension plan retirement pensions for that year, 1970, would be $30.3 million, and the savings regarding the federal old age assistance payments to the age group of 65 to 69 would be $47.7 million, making a total saving of $78 million. That is the Canada pension plan retirement pension saving.

The net cost of the Ontario proposals over the benefits described in Bill No. C-136 after allowing for the saving, without a retirement test, would be $562 million and, with the retirement test, $385 million.

Perhaps I can have these tabled, Madam Chairman.

Mr. PRITTIE: I move that this be tabled.

Mr. FRANCIS: I would like to know what assumptions were made in regard to the irregularly employed group who earn less than $600 if on payroll or less than $800 if self-employed. Were they assumed to be eligible for benefits or not?

Mr. OSBORNE: Madam Chairman, these figures were the cost of providing $100 a month to all persons aged 65 and over. Since it was an estimate for a particular year I excluded from the figures for that year people in the age group 65 to 69 who had not yet retired, but anyone who had retired and was over the age of 65 would have received $100 a month. That was my understanding of the Ontario proposal.

Mr. COWARD: I thank Mr. Osborne for these figures and I am sure we will be able to accept these figures.

I would like to say, however, that we have never suggested this proposal be put in without a retirement test, so the figures with a retirement test are the only ones which should be considered; and I believe there has been no allowance for collection on the first $600 of earnings in the figures. Is that correct?

Mr. OSBORNE: Madam Chairman, I was not concerned with contributions to the plan. I was simply trying to cost the benefits. Therefore, I do not believe the $600 question really arises at this stage. It would be of concern if you were looking at the total collection of contributions from the plan, but this was not part of the request.

Hon. Mr. CROLL: Mr. Osborne, what does the figure $385 million mean? I have tried to follow you, but I am not sure that I have done so. What does it mean? Are you saying in effect that when the plusses and the minuses are calculated in this bill, that is the net cost?

Mr. OSBORNE: Madam Chairman, the $385 million represents the extra cost of doing what Ontario has proposed over the cost of what the federal government has proposed to do in Bill No. C-136, and assuming that the federal government would be able to apply to this plan the saving of $47.7 million in old age assistance payments that it would not have to pay to the provinces.

Hon. Mr. CROLL: This is becoming a little more understandable now.

You assumed, I think, that the supplementary payments were made to all provinces—payments supplementary to the old age security. You took a deduction of some $42 million for that which you would not have to pay. Does that include all the provinces which make the payment, or do all make it?

Mr. OSBORNE: That was the reduction of $48 million that the federal government would pay to all ten provinces in 1970—

Hon. Mr. CROLL: Oh, yes, in 1970.

Mr. OSBORNE: —under the present old age assistance arrangements.

Hon. Mr. CROLL: Do all ten provinces participate in the old age assistance?

Mr. OSBORNE: Yes, Madam Chairman.

Hon. Mr. CROLL: So what you are saying, in effect, is that Ontario is presenting to us a bill of approximately $400 million.

Mr. OSBORNE: If you can assume that you can apply the savings on the old age assistance to this plan, the answer is yes.

Hon. Mr. CROLL: That is what you say?

Mr. OSBORNE: Yes.

Mr. GRAY: What is the estimated amount the government would collect under the Canada pension plan?

Mr. STEVENSON: While Mr. Osborne is looking it up might I just add—though not for this calculation: there is a saving of almost an equal amount to the provincial governments.

Mr. LLOYD: That is $47 million?

Mr. STEVENSON: Yes.

Mr. LLOYD: In other words, the more responsibility for old age security, Madam Chairman, that is shifted to the financing for the Canada pension plan, the less liability the province has, likely, unless the standard of living rises.

The CHAIRMAN (*Hon. Mrs. Fergusson*): If I am correct, I understand we have a motion by Mr. Prittie, seconded by Mr. Knowles, that the report of Mr. Osborne, which has been submitted, should form part of the record. I think all these speeches are on the question, and I have not yet put the question.

Mr. KNOWLES: May I ask Mr. Coward a question as briefly as I can?

Does Mr. Osborne's description of the 65 to 69 group—that is the one with the retirement test—fit what Ontario is proposing, that is, adding these two together? I am still a little confused despite the talk this morning. Ontario proposes $100 a month to everybody of 70 and over?

Mr. COWARD: No, to everyone drawing old age security.

Mr. KNOWLES: In 1970 everyone who is then on old age security—

Mr. COWARD: It will include those of age 65 if they meet the retirement test.

Mr. KNOWLES: Just a minute. In 1970 do you look back into what those who are then 70 were doing before they were 70?

Mr. COWARD: No.

Mr. KNOWLES: Everyone of 70 and over in 1970 would get it?

Mr. COWARD: If they have been ten years in the country, yes.

Mr. KNOWLES: So this figure fits what you are proposing?

Mr. COWARD: Yes.

Mr. KNOWLES: Then you are proposing that there be $100 a month to everyone in the age bracket of 65 to 60 who meets the retirement test?

Mr. COWARD: Yes, that is right.

Mr. KNOWLES: There is no conflict between that and your statement to me this morning that what you were proposing was a minimum payment of $25?

Mr. COWARD: By 1970 the maximum contribution that anyone could have made would be for five years and this, under the Canada pension plan, with a 20 year transition, would give him only a quarter of the bill benefit, or around $25 a month.

Mr. KNOWLES: Then, in respect of those people in that age bracket you are saying after they retired they would get the $25 which you are talking about, and the full $75 old age security?

Mr. COWARD: Yes.

Mr. KNOWLES: So, the figures Mr. Osborne has produced in the retirement bracket correspond to what you are producing?

Mr. COWARD: As I understand it, Mr. Osborne produced the costs that relate to our proposal with these two exceptions or two major points to be borne in mind; first, that there will be a savings on the assistance program to provincial governments, which might be approximately the same as the $70 million that he mentioned.

Mr. KNOWLES: It would be $47 million.

Mr. COWARD: I am sorry, $47 million. And, in the second place, under our complete proposals there would, be additional contributions collected. Mr. Osborne has spoken only of cost; we are proposing that contributions be collected on the first $600 of earnings, and I believe that the product of that additional tax would be in the general neighbourhood of $50 million to $60 million.

Mr. PRITTIE: Does Mr. Osborne have the figures in that connection?

Mr. OSBORNE: No, we do not.

Mr. PRITTIE: I would like to see those figures.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not know whether or not this should be going on the record at this time.

Mr. OSBORNE: Madam Chairman, shall I answer the question Mr. Gray put to me?

Mr. COWARD: Madam Chairman, I would like to correct the record. I would like to double the figure I mentioned. I had a figure for Ontario alone, and I would like to correct the record in that respect.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Certainly.

Mr. GRAY: Madam Chairman, I have a suggestion to make. Perhaps we could dispose of this motion at this time. I was the next one on the agenda and I could ask one or two questions arising out of this. But, if anyone else has any supplementaries they could put them at this time, if those questions do have relevance to these existing figures.

Mr. LLOYD: I think we should clear the matter of this resolution.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Unless there is exception to putting these figures on the record I think we should clear it up now and then the members could proceed to put questions later.

Hon. Mr. CROLL: Madam Chairman, was there not a motion to put it on the record?

The CHAIRMAN (*Hon. Mrs. Fergusson*): But, Senator Croll, you were speaking to the question, as far as I understood it.

It has been moved by Mr. Prittie and seconded by Mr. Knowles that the figures submitted by Mr. Osborne become part of the record and be appended to today's minutes. Is that agreeable?

Some hon. MEMBERS: Agreed.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Does anyone oppose this motion? If not, we will proceed.

Motion agreed to.

I am sorry, but before we go on with the evidence there is another piece of business we intended to deal with. We became involved in this because of the last submission by Mr. Osborne. Before we proceed to discuss these matters

with our witnesses I have another motion I would like to have taken care of, and that is that the sum of $42 for travelling and living expenses be paid to Mr. Robert J. Myers, chief actuary, social security administration of the United States as specified in his letter dated January 27, 1965, in respect of his appearance before this committee. Could I have a motion to this effect?

Mr. KNOWLES: Is that all?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes, that is all.

Hon. Mr. CROLL: I so move.

Mr. FRANCIS: I second the motion.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It has been moved by Senator Croll and seconded by Mr. Francis that we authorize the expenditure of this amount on behalf of Mr. Myers. Are all agreed?

Some hon. MEMBERS: Agreed.

Motion agreed to.

Mr. BASFORD: Madam Chairman, how do his expenses compare with the expenses paid to Dr. Robert Clark.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not have his account before me.

Hon. Mr. CROLL: Madam Chairman, following Mr. Osborne's statement there is a point on which I wish clarification because of an earlier statement made by the witness, and I have marked this down.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Senator Croll, we actually have a list of members who wish to put questions left over from this morning.

Hon. Mr. CROLL: This is a supplementary question, Madam Chairman.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Supplementary to what?

Hon. Mr. CROLL: To the questions we were asking in respect of the statement by Mr. Osborne.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not think we should have gone into those questions at that time. The subject was whether we would put the statement in the record. However, I am sure the matter will come up again and you will then have an opportunity to put a question.

Mr. GRAY: Mr. Osborne, I believe you had a figure which I requested in respect of the estimated collection for the Canada pension fund in the year 1970.

Mr. OSBORNE: On pages 498 and 499 of the proceedings two figures are given for the year 1970 in respect of the contribution to the Canada pension fund.

Mr. GRAY: Would you read them.

Mr. OSBORNE: Excluding Quebec, the figure would be $519 million at a 3 per cent annual rate of increase in earnings and $528 million at a 4 per cent annual rate of increase in earnings.

Mr. GRAY: These would be the total collections, obviously not including any possible collection from those earning under $600 a year.

Mr. OSBORNE: That is correct.

Mr. GRAY: Would it be possible to give some estimate of what that would be in 1970? Could we have the projected number of people in the labour force which might have that income?

Mr. OSBORNE: I can find out from the actuary, if he is prepared to make this calculation.

Mr. GRAY: Mr. Coward, continuing along with this discussion—

Mr. BASFORD: Madam Chairman, before we go into the re-examination of Mr. Coward I would like to interrupt on a question of privilege.

Just before the luncheon adjournment this morning Mr. Coward, in a rather surprising, move, I thought, produced a confidential working paper from a federal-provincial conference in support of one of his arguments, namely that the pension plan was very complicated to administer. I would like to give Mr. Coward an opportunity by way of privilege. I do not intend to move a motion but I would like to give him an opportunity to produce in a like way the confidential working papers submitted to the six federal-provincial conferences by the province of Ontario in support of his argument in the brief that the position now taken by the province of Ontario is the one taken by the province of Ontario since July, 1963.

Mr. COWARD: I have no comment in that connection.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not think Mr. Coward would have the authority to produce that.

Mr. COWARD: May I apologize if I produced a document which should not have been produced.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Basford, Mr. Coward withdrew that document this morning and I do not think we should pursue that matter.

Mr. LLOYD: Agreed.

Mr. RHÉAUME: Madam Chairman, in order to set the record straigth this document was not produced but waved in his hand, and the committee decided it would not give unanimous consent to have it produced. All of this nonsense could have been easily avoided.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I could not see because I was sitting at the desk. Are you finished, Mr. Gray?

Mr. GRAY: No, Madam Chairman, I have not had a chance to get started. With all due respect, my various colleagues on the committee raised very interesting points before the luncheon adjournment at 12.30 and some others have since, but perhaps I could complete what I started to ask about sometime ago.

Mr. Coward, I do not know whether or not I am putting this in the proper technical way, but have you any information for us on the effect your proposals will have on possible contribution rates 20 years from the time the fund or the plan goes into effect? To expand on that a bit, I gather under the present plan we are considering that by the time the plan has been in effect for about 10 years the contribution will not be sufficient to cover the amounts paid out under the proposed plan and the fund will begin declining. There have been suggestions that at some point we will have to have higher contribution rates. What effect will your proposals have on this situation?

Mr. COWARD: I have no figures to place before you, sir.

Mr. GRAY: I must say, Mr. Coward—and I say this in the friendliest sense—that I have been concerned with the fact that this brief has proposals which, on page 4, are referred to as concrete suggestions and changes that are considered desirable, and you have not come before us with the figures and the statistics which would help us to assess them. You may have had your own problems to prevent you from doing this but I would like to put that statement on the record.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are you finished, Mr. Gray?

Mr. GRAY: With that question.

Mr. CHATTERTON: On a point of order, Madam Chairman, the Chairman ruled this morning that each person would be given one question on the first round. I put one question and then passed.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not think I have heard Mr. Gray's question yet.

Mr. CHATTERTON: But he said he finished his first question.

Mr. GRAY: Now I have my supplementaries.

Mr. BASFORD: Mr. Gray was making a statement like Mr. Chatterton made this morning.

The CHAIRMAN (*Hon. Mrs. Fergusson*): We will pass on to Senator Croll; he has been waiting quite a long time.

Hon. Mr. CROLL: Mr. Coward, I understand now that Mr. Osborne has said that the cost of the proposed suggestions by the province of Ontario will be in the neighbourhood of $385 million with a retirement test and $562 million without a retirement test. Now, you had some figures, and I am sure you did some preliminary work on this, although it may not be exactly correct. But, you have no reason to disagree with these figures.

Mr. COWARD: I have not had a chance to examine them, but I have no reason to disagree with them I would like to remind you we proposed an increase in the contribution, which would mean the net cost of our total package would be less than $385 million.

Hon. Mr. CROLL: I did some calculations on my own—I am not very good at that—and I came up with the figure of $420 million. It surprised me that I could get as close as that. I wondered whether you had done some calculating; surely you must have. Did you not have some idea as to the approximate figure?

Mr. COWARD: Yes, sir. We did a number of experimental calculations, but I think you will appreciate that if you put different propositions together, the cost of the combined proposition is not merely the sum or the difference of the cost of the individual items going into it. With great respect for the committee I would prefer not to put our experimental calculations before you. I feel sure that when we will have examined the figures that were put to us by Mr. Osborne we will find them not inconsistent with our own, but I do not have any form of actuarial report or cost calculations to present.

Mr. RHÉAUME: Madam Chairman, before we go any further I want to make sure in my own mind that when we are talking about the basic principles of the Canada pension plan, Mr. Coward, Mr. Stevenson and I are on the same wavelength, or that we agree. I want to read to him a statement and ask him if that is a fair statement of what is the basic principle of the Canada pension plan. I am reading from the white paper. If we can agree there, we can start. The statement appears on page 5 of the white paper, and it reads as follows:

> This is to establish a contributory pension plan ensuring that, as soon as is possible in a fair and practical way, all Canadians will be able to look forward to retiring in security and with dignity.
>
> In order that this major social advance should be effective for everyone, it is not enough to have adequate pension schemes available in all parts of the country.

Then I skip one sentence. It goes on to read:

> Therefore the pension plan should be nation-wide in character.

Is that the assumption of the Ontario government on which it bases its proposal and the basic principle which they are attempting to achieve with their plan?

Mr. COWARD: The Ontario government would support and endorse these words as expressing a very desirable objective for a new plan to aid the aged.

Mr. RHÉAUME: Inasmuch as that is the government's statement of the basic principles, I am trying to clear up the earlier discussion we had this morning that there is no quarrel between the basic principles which the government of Ontario feels should underlie a Canada pension plan and the stated objectives that the government of Canada has as its basic principle.

Mr. COWARD: I think there is no great quarrel on principles, but we have been concerned with a number of statements that have indicated that little or nothing in the plan by way of its benefit and contribution structure could be altered. These have been of considerable concern to us on a number of occasions.

Mr. RHÉAUME: My questions relate to a new area.

Mr. BASFORD: I believe that Mr. Rhéaume has had his question.

Mr. RHÉAUME: Nonsense!

Mr. BASFORD: Mr. Gray was just ruled out of order for making a statement and then trying to ask a question. Mr. Rhéaume asked a question. He asked for a comment on a statement in the white paper.

Mr. RHÉAUME: We spent 20 minutes this afternoon on arguments by Mr. Gray, Mr. Francis and Mr. Munro on what were the underlying basic principles. All I am trying to establish is that the government of Ontario has the same objectives as the government of Canada.

Mr. GRAY: Madam Chairman, on a question of privilege, I did not participate in the discussion Mr. Rhéaume spoke about.

Mr. RHÉAUME: We will leave you out on this one. My question relates to the administrative costs.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I think Mr. Rhéaume was trying to establish something underlying his question.

Mr. RHÉAUME: This was solely to ensure that we were on the same wavelength. My question relates to the administrative costs which we have not discussed today. Your brief makes certain specific recommendations on how the plan might be changed, but we have not had an opportunity to discuss with you, Mr. Coward, whether or not this would result in some direct administrative costs. This is the area in which I want to ask my question and the supplementaries which will follow. In your opinion would the elimination of the $600 minimum for the employed and the $800 minimum for the self-employed reduce the administrative costs of the Canada pension plan?

Mr. COWARD: Yes, to a small extent, but with the capacity of modern computing systems I would not like to say to what extent. The cost of the administration has not been a major factor in our consideration. We think that understanding the plan is more important.

Mr. CHATTERTON: Madam Chairman, I have a supplementary question. Is the cost greater to the person submitting the application or to the central administration?

Mr. COWARD: I think there would be administrative costs to the central administration and also administrative costs to the employer, and there is, in a sense, a cost or nuisance value to the poor employee who has to claim a refund —which might be as much as $10 in a year, but will mostly be a small refund.

Mr. RHÉAUME: This is my supplementary question in relation to administrative costs: Would the elimination of something in excess of one million claims per year for refunds alone result in a substantial administrative saving spread throughout the federal government, the employer and the employee?

Mr. COWARD: I think there would be some saving, but I cannot say what its magnitude would be. It seems to me, however, that we should just get rid of an exceedingly irritating and useless feature of the plan. A plan that is designed from the outset for over one million refunds is surely a plan that should be looked at again.

Mr. FRANCIS: I have a supplementary question: Would there be no refunds at all under your proposal?

Mr. COWARD: There would certainly be refunds to those who have incomes in excess of $5,000 and who work for more than one employer; but there will not be the other refunds, the number of which was estimated at 1,058,000 by the federal officials. These refunds will be eliminated.

Mr. FRANCIS: Would you give a refund to a man who earned $500 and paid his tax?

Mr. COWARD: No.

Mr. FRANCIS: Would you qualify him for a benefit?

Mr. COWARD: Yes.

Mr. FRANCIS: So that this plan would get everyone who theoretically earned a single dollar a minimum pension of $25?

Mr. COWARD: They will count these earnings in their average as they would now count a year of zero earnings in their average, and they will all receive the $25 minimum if applicable.

In connection with some of these groups with very minor earnings from whom collection could be very difficult and perhaps quite inexpedient, we would suggest that they might be exempted by regulation, as I think was proposed in the first version of the Canada pension plan.

Mr. RHÉAUME: My supplementary question, Mr. Coward, is this: In view of the inside information you have on the secret paper which has not been produced, would it, in your opinion, be possible for an employee without outside help to be able to properly fill out a claim for a refund in a year? I have asked you what would be the administrative costs of refunds, and you said nothing. In your opinion, would a person in the less than $600 bracket in the case of the employed and less than $800 bracket in the case of the self-employed be able to fill out a claim adequately?

Mr. COWARD: I think some would have difficulty, but the cases in which I think it would nearly always be impossible would include the case of a man with low earnings who has part of those earnings from employment and part from self-employment. I think that type of worker of low income would be quite incapable of filling the claim form. This is the more difficult case, where he has partly self-employed earnings and partly earned income.

Mr. RHÉAUME: My final question, which is really my first one, is as follows: I am trying to get from you an estimate of the possible savings in administration which your total package might present in comparison to the federal plan to offset some of the added expenditure which we know it would involve. I questioned you specifically on the elimination of the floor level of collections. You also proposed that the earnings index be abandoned and that the pension index be substituted for it. You proposed a method whereby it would be easier to integrate the federal plan with the existing private plans. You proposed an amalgamation of old age security and old age assistance, and you proposed a retirement test. Can you give the committee any assessment of the kind and extent of administrative savings which would result to offset some of the added costs?

Mr. COWARD: I am sorry to disappoint you but I do not think I could give you a figure in dollars or in percentage. I believe that it would be very appreciable, a worth-while saving, but I cannot give you a figure on it.

Mr. CHATTERTON: Mr. Chairman, as I interpreted Mr. Gray's question, it seems to me you have indicated you have not carried out calculations on your own to substantiate your recommendations. Do I take it you made your own calculations which led you to believe that these recommendations are feasible?

Mr. COWARD: We have made our own experimental calculations. We have used the excellent actuarial report of the federal government as a crutch and as a support on some features.

Mr. CHATTERTON: Are you satisfied that the experimental calculations that you made were sufficient for the government of Ontario to make these recommendations?

Mr. COWARD: Yes, we satisfied ourselves with the general feasibility of the program that we have suggested. There are some costs in respect of which we do not have sufficient figures or reports of sufficient accuracy. Therefore, we have a reasonable element of uncertainty with regard to the exact amount that should be filled in, the level of the flat addition in particular.

Mr. CHATTERTON: Thank you.

Mr. GRAY: May I ask a supplementary question? Do you think it really is safe from the point of view of the effect on the national economy, and so on, to make these recommendations without having reports available to you which, as you say, have sufficient accuracy?

Mr. COWARD: We have figures before us which we think are reasonably accurate. We have made a number of calculations. I feel this question could have been turned around, because some of the federal proposals were made in rather a firm form before definite actuarial results were available, at least to the public.

Mr. GRAY: Did you agree with that?

Mr. COWARD: No. It has been one of our criticisms that apparently the federal government has gone ahead and designed its plan before receiving actuarial and economic reports.

Mr. GRAY: Which is exactly what you have done in this presentation.

Mr. COWARD: No. We had some reasonable calculations which satisfied us in respect of the general soundness of what we have proposed. We left enough room, by not coming down with precise benefit figures, for an adjustment upwards or downwards if the costs were greater or less than we first believed.

Mr. LLOYD: Supplementary to that, I understand that the work task force of the federal civil servants—like your good selves—has been engaged in projecting the form of wage related plans for several years. This is my understanding, and I think this is generally agreed. Therefore, I think it might be fair to qualify your comments to the extent that if any economic studies have been made and if actuarial computations have been made by the federal government, at least they were not accessible to the general public. I think that is a fair statement.

Mr. COWARD: I think that might be fair. I believe it might be fair to suggest that the actuarial information we had when we made these recommendations is as sound as the actuarial information the federal government had when it first proposed the Canada pension plan.

Mr. LLOYD: I do not quarrel with you on this statement, but rather wish to eliminate some sensitivity on the matter.

Hon. Mr. CROLL: Very early in the game this morning, the first question I asked was what would (*c*) and (*d*) cost? I thought that was the crux of the whole business. At that time I did not press this because you thought you were not in a position to answer it. However, for the life of me, I cannot understand why this would not be the first thing you would get at, being a person as you are with a great deal of knowledge in respect of pensions. You suggested today this never had been put in this form before anybody. Having put it before us poor members of parliament in this form, was it not the proper thing to do to say, ladies and gentlemen, it will cost you X dollars approximately and that is it; are we not entitled to that?

Mr. COWARD: I regret I am not in the position to give you that simple answer. I wish it were easy to produce actuarial figures in that way, but it is not. Will you please bear with us because this brief was put in its final form at rather short notice. We had sufficient actuarial calculations done, by abbreviated methods, to satisfy us that this is not an unreasonable or absurd proposition in any way. The refinements we will leave for a little later.

Hon. Mr. CROLL: Mr. Coward, the only purpose in my asking that is, whether you know it or not, you have friends around the table who think as you think. We thought at least we would get some help from you to argue our case and to help us support you.

Mr. COWARD: The calculations I have are not in a form in which I could present them to the committee.

Mr. CAMERON (*High Park*): That was the answer Mr. Coward gave this morning for not giving the figures. Mr. Knowles wanted them in a particular form and he said he was sorry but he did not have them in that particular form.

Hon. Mr. CROLL: I did not ask for any form. I just asked for the figures.

Mr. GRAY: In your brief you say:

> In making the above recommendations, Ontario is not raising new issues at the eleventh hour.

I wonder what you were doing in respect of preparing tables and calculations in the first ten hours.

Hon. Mr. CROLL: They have done a good job.

Mr. PRITTIE: With regard to this matter of people earning $600 and below, there are two things I would like to know. First of all, what additional revenue would this bring to the plan if these people were covered up to $600 and $800 for self-employed? I am wondering also whether these people can be identified in any way; it seems to me the suggestion has been made that in many cases perhaps these persons are marginal farmers, but I would suggest that in many cases they are housewives who work part time in stores. What I am pointing out is they may not all be people living at a poverty level, but that there may be many persons who are urban workers who do not earn more than this in a year. I am wondering what group of people earning $600 or less make these returns, where they live, and who they are? Perhaps Mr. Osborne knows.

Mr. OSBORNE: I cannot answer the question with a degree of precision in respect of who the people are and where they live; but I have seen some figures which indicate the majority of the people are under age 25 and for the most part people earning less than $500 a year either are the relatively young or the very old. Apart from age, we cannot indicate what kind of occupation they may hold.

Mr. CHATTERTON: As I understand it, this morning it was suggested certain types of casual employees might be excluded from contributing in this group that is now exempt, and yet you say that anyone contributing under the Canada pension plan will have a minimum pension of $25 a year when he retires.

Mr. COWARD: Anyone, whether or not he contributed under the Canada pension plan will have a minimum pension from that plan of $25 a month.

Mr. CHATTERTON: Without any regard to the age of 18 years?

Mr. COWARD: Without regard to his contribution record at all. It is our feeling that it is necessary to provide a bentfit from this new fund that is being established to all who are in need. The evidence is strong that those who already are retired had lower earnings when working, had less opportunity of contributing to pension plans and are more likely to haxe exhausted their savings. Some are veterans, as you know. These people are likely as a

demographic group to be more in need than those with earned income who will come up to retirement in 10 or 20 years from now. The problem we are attempting to solve relates to the fact that under the present proposals the plan provides cross-subsidies to those who are in less need and escalation again favours those who are less in need.

Mr. PRITTIE: This morning there was some discussion about the statement made by Premier Robarts and the word irrevocable was used. I do not know what changes to the Canada pension plan will be made, or whether Ontario's views will be incorporated, but it would appear that all their ideas would have to be incorporated before any changes were made in the Canada pension plan. I am referring to clause 115, subclause (4) of the bill where it says:

> —which proclamation may not be issued and shall not in any case have any force or effect unless the lieutenant governor in council of each of at least $\frac{2}{3}$ of the included provinces, having in the aggregate not less than $\frac{2}{3}$ of the population of all of the included provinces, has signified the consent of such province thereto.

I would imagine that the province of Ontario would be quite pleased with that section, because it would mean in effect that there would not be changes in the future without your approval. Have you any comments to make?

Mr. COWARD: I would like to comment by referring to the statement made by Mr. Robarts on January 21, 1965, which statement has been put into your records, wherein he referred to the safeguards which had been put into the legislation. He said:

> In this context, I have come to the conclusion that bearing in mind the safeguards which have been put in the legislation, it would be in the best interests of the people of Ontario and the best interests of Canada that we in Ontario accept the Canada pension plan in principle and bend every effort to make this plan truly national in scope for the benefit of all the citizens of Canada.

Mr. KNOWLES: Would you please read from the top of page five where he indicated how this section can be put in?

Mr. COWARD: Yes.

> Of greatest importance to the people of Ontario, we requested safeguards in order to prevent unilateral changes in the provisions of the act, particularly in regard to benefits and contributions. As a result of our request, a section was inserted in the act which, in effect, provides for consultation with the provinces before any future changes may be made in the plan. As the plan now stands, no amendment of substance can be made until after a notice period of at least two years has elapsed; and such changes can be effected only if assent is given by two thirds of the participating provinces with two thirds of the population of the participating provinces. In effect, this gives the people of Ontario, through their government, a clear right to be consulted in the future and to decide upon the implications and desirability of any change that may be proposed. It provides an effective veto over changes of substance with which we may not agree.

Mr. KNOWLES: This also was one point which Ontario got as a result of discussions with the government of Canada.

Mr. COWARD: Yes, sir, and I have pointed out that we have been pleased with the amendments which have been made on several points in accordance with our request. But I have also pointed out that these generally do not relate to the benefits of retired persons and the contributions that will be paid.

Mr. KNOWLES: That was supplementary, and it was not my main question.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I know Mr. Monteith's name was down on the list, and when I called it, Mr. Chatterton asked to take his place.

Mr. FRANCIS: Perhaps Mr. Monteith should be given an opportunity now.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Your name was on the list; when I called it, Mr. Monteith, Mr. Chatterton asked to take your place. Do you wish to speak now?

Mr. MONTEITH: No, it does not matter.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Perhaps you may do so later if you like.

Mr. MONTEITH: All right.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I think Mr. Munro is next.

Mr. MUNRO: Madam Chairman, this morning Mr. Coward was asked a question by myself and others regarding this proposal of $25. I believe it was indicated that, though the specific proposal itself had never been made before we received this particular brief, during the course of negotiations in some six federal-provincial conferences and other negotiations between the federal government and the provinces, Ontario had been concerned regarding this general area of making flat benefits payable under the Canada pension plan. Is that a fair statement of your position to date?

Mr. COWARD: What I said was that on many occasions we had pointed out that the plan left out a large group of needy people. I do not think we said in these earlier briefs that there should be a flat benefit, sir. But we have pointed out on many occasions that there are gaps in the coverage which concerned us. Perhaps we might have made the implications a good deal clearer, but the way to fill a gap is to give some benefit.

Mr. MUNRO: Yes, but there is no proposal as to how it should be done.

Mr. COWARD: No, sir.

Mr. MUNRO: Madam Chairman, I would also ask the permission of the committee to table the two statements by the Hon. John Robarts of September 9 and 10, 1963, which were tabled in the house and the letter from the premier of the province of Ontario to the Prime Minister of Canada of February 13, 1964, which was also tabled in the house.

Mr. KNOWLES: These are all election speeches.

Mr. MUNRO: No, these are letters concerning the Canada pension plan.

Mr. KNOWLES: They are already public documents.

Mr. MUNRO: I would like to have them appended to the minutes here.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Is there a seconder of the motion?

Mr. FRANCIS: I second the motion.

Mr. MUNRO: I think it should be noted that in both these letters from the premier of the province of Ontario to the Prime Minister of Canada that the premier of Ontario endorsed a contributory type of pension scheme and indicated his interest to see that it was national in scope.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Do you wish me to put the question of whether these should be placed on the records?

Mr. MUNRO: I am sorry, I did not notice that it had not been done.

The CHAIRMAN (*Hon. Mrs. Fergusson*): No, I did not have the opportunity. It has been moved by Mr. Munro and seconded by Mr. Francis that these documents be appended to the record.

Motion agreed to.

Mr. MUNRO: It endorses a contributory pension plan national in scope. I think that that is the point stated in both these letters. Would you agree that that certainly is an endorsement of the basic principle, although I would admit tbat there are a lot of variations from it.

Mr. COWARD: May I read from the letter of February 13, 1964? I believe it was the one which was just tabled.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes.

Mr. COWARD: It reads as follows:

> To concentrate all extra benefits on persons with earned incomes while everyone now aged 70 or over is limited to a pension of $75 a month is plainly inequitable and will surely lead to pressures for pension increases, involving a further rise in the old age security rates of taxation.

I agree with you that this did not suggest that these extra benefits come from the Canada pension plan, but referred to pressure for an increase in old age security. But there is very plainly stated the big gap which we felt existed in the proposals of the government.

Mr. MUNRO: The area of major departure here would be that at this time Ontario in effect is requesting that consideration be given to this suggestion developed much more specifically now in your brief. We make up this sum of $400 million to $500 million which has been given as an estimate out of the Canada pension plan in order to provide these benefits. I think that would be a fair statement, and it has never been advanced until this day.

Mr. COWARD: The figure in question would be $385 million, not $400 million or $500 million. That excludes extra contribution income which we suggest should be received. What we are proposing in part which is new, as I have said, is that we should go back to a feature of the first version of the Canada pension plan by which part of the resources are used to finance flat benefits. We propose that you should go back to a feature which was in the Canada pension plan of July, 1963, and that the amount of the flat increase should start perhaps at $25—or under a more refined calculation, it might be somewhat greater or lesser as an adjusted figure.

Mr. MUNRO: In the statement which has been tabled by Mr. Robarts of September 9 and 10, 1963, the only reference there in any further submissions which have been tabled as far as letters from the Premier of Ontario are concerned is in regard to an increase in the flat rate benefit, or an increase from $65 to $75. Let me refer you to page 2 of the premier's letter of September 10, 1963.

Mr. COWARD: I think you are right. Our thinking has moved on since September, 1963, and I think that all of us have changed our thinking over the course of the last year and one half.

Mr. LLOYD: I have a supplementary observation. It is in the light of this and other discussions that we are expected as reasonable-minded Canadians to do a reasonable job of work in recommending amendments. We well may make some recommendations to bring into effect some of the things we discover as a result of these public hearings and other evidence brought before us.

Mr. MUNRO: If your proposal would mean that it has all to come out of the Canada pension plan, it would have the effect to a great extent of doing away with the plan.

Mr. COWARD: No, sir. According to the evidence that has been previously given, and in our opinion, the fund would be lower, but it would still be one half the previous figure, let us say, when it reaches its peak.

Mr. FRANCIS: May I ask a supplementary? I believe Ontario estimates that in 1970, with contributions of something under three per cent, the rate

of increase in the fund would be—I am trying to check it here. It seems to me there were $410 million difference on 3 per cent and $420 million on 4 per cent. This certainly does not leave a very great margin for accumulation of a fund if we increase benefits in the order of $370 million or $385 million.

Mr. COWARD: To what figures are you referring?

Mr. FRANCIS: The actuary's report presented to the committee.

Mr. COWARD: And the actuary's report on page 16 shows that in 1970 the fund would receive $519 million from contribution income.

Mr. FRANCIS: And benefits and expenses would be $98 million on 3 per cent?

Mr. COWARD: Yes, and Mr. Osborne has suggested that the extra costs would be $385 million. We have suggested that the extra contributions would result in an additional income of at least $100 million.

This seems to me to be providing a fairly satisfactory rate of growth for the fund.

Mr. CHATTERTON: Did you say between $100 million and $120 million?

Mr. COWARD: I said, I think, between $100 million and $125 million.

Mr. FRANCIS: Has Mr. Osborne substantiated the figure of $100 million in extra contributions?

Mr. OSBORNE: I said I would ask the chief actuary to estimate the extra contributions that might be collected, but I have not that information available.

Mr. FRANCIS: Madam Chairman, subject to this provision which can be filled by the estimates of the chief actuary, on the face of it there is something like $420 million excess of income over outgo on the actuary's estimate. Against this there will be $375 million less whatever income is received from the extra contributions which would be up to $600 and up to $800 for everybody?

Mr. COWARD: Yes.

Mr. FRANCIS: I hope we can come back to this when we get this gap in the information filled because it is important. I would not like to see the fund dissipated.

Mr. COWARD: This means that in that year the fund would be growing by something in the neighbourhood of $136 million to $150 million and, gentlemen, if this is regarded as an inadequate rate of growth—though I do not know what your yardsticks are—you can adopt a benefit which is somewhat less than the $25 that we have mentioned.

Mr. STEVENSON: Madam Chairman, may I add one point to that? I do not like to get into figures when we have not placed figures before you, but the effect of the $25 to recipients of old age security is something which will be felt with its greatest impact in the earlier years of the plan. In future years, the $25 million to those reaching retirement age will not have such a great effect because to most people this will be paid out in Canada pension plan benefits anyway. So we have a sharper effect on the build-up of the fund using our proposals in the earlier rather than the later years. 1970 may be the year in which we would reach just about the maximum excess in outgo.

Mr. FRANCIS: The maximum would be in the first year.

Mr. CHATTERTON: What would be the maximum year of difference in cost?

Mr. FRANCIS: I would think that would be the first year.

Mr. STEVENSON: One thing was not spelled out this morning. In our own considerations we were envisaging the payment of the old age security benefit to people between the ages of 65 and 70 after a retirement test, in much the same way as the age reduced pension is considered in the present proposals. The idea is that it would become available to people of 69 next year and to

people of 68 the year following, up until 1970, which would be the first year when people aged 65 would be eligible to take the full old age security pension after the retirement test.

Mr. FRANCIS: Excuse me. Is Mr. Stevenson saying he supports the principle of an actuarially reduced pension prior to the age of 70 as proposed in the Canada pension plan?

Mr. STEVENSON: No, not at all. It is just that the introduction of the payment of old age security benefits upon a retirement test would come in gradually. It would be an option available to people aged 69 next year, to people aged 68 the year following, and so on.

Mr. FRANCIS: Is this in your brief?

Mr. STEVENSON: No, this is not in our brief, and this is why I said—

Mr. FRANCIS: You are bringing this to the attention of the committee for the first time?

Mr. STEVENSON: Yes. It is introducing the extra cost somewhat more gradually than it might appear.

Mr. FRANCIS: Has this been submitted to the government in discussions?

Mr. STEVENSON: No, it has not.

Mr. COWARD: May I just say this? Our brief—and if you look at paragraph 19 you will see this—suggests that a benefit of perhaps $25 a month be paid under the Canada pension plan to all persons receiving old age security benefits.

Mr. FRANCIS: Yes.

Mr. COWARD: It was our idea that the qualification, the age at which they might first be received, would be the same as in your proposal. We did not mention a change in that feature.

Mr. FRANCIS: You would not have reduced the dollar amount of the pension but you would have staged the years at which the $25 became available as an option?

Mr. COWARD: Precisely, sir.

Mr. MUNRO: Madam Chairman, may I continue? This, of course, would mean that if we tried to preserve the national scope of the plan—and it has been advocated not only by the premier of Ontario but, I am sure, by all—then if your proposal were to be adopted the Quebec government would also have to provide this additional $25 out of the contributions made in their own province.

Mr. COWARD: We would hope that the province of Quebec might be persuaded by our arguments, and the arguments of other people who presented briefs to this committee, to modify their plan as you might modify yours.

Mr. FRANCIS: In the light of this does Mr. Coward not think another round of discussions would be called for with the provincial authorities for the adoption of these recommendations?

Mr. COWARD: I cannot answer that question. I do not think you will settle it this afternoon, obviously. I cannot engage, however, in the problems involving the government of Quebec.

Mr. MUNRO: The suggestion that is now being advanced in your brief would mean that there would be a heavier drain on the fund that would be accumulated in Quebec should Quebec see fit to adopt your suggestion.

Mr. COWARD: Yes, sir.

Mr. MUNRO: I think you would agree, would you not, that Quebec and other provinces have indicated quite an interest in having a fund accumulated.

Mr. COWARD: I do not know about other provinces, except Quebec.

Mr. MUNRO: And you do agree that they have been particularly interested throughout?

Mr. COWARD: Quebec has expressed its interest in having a fund.

Mr. MUNRO: Then, certainly, to preserve the national scope of the plan, as indicated in the recent address of the premier of Ontario, this is certainly a major consideration that will have to be taken into account by the members of the committee. Do you not agree?

Mr. COWARD: Certainly it is a major consideration. I hope this will not prevent our recommendations being considered favourably by this committee.

Mr. MONTEITH: May I ask a supplementary question?

Mr. LLOYD: May I ask a supplementary question?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Monteith.

Mr. MONTEITH: I think I am using your words, Mr. Coward, when I say that Ontario is looking for a sound practical plan which would assist the most people in the best possible way. You have presented many arguments in your brief, and I assume it is Ontario's position that in such a serious, long term proposition as a pension plan an effort should be made to get together with Quebec to come to some decision about meeting your requests.

Mr. COWARD: I think all I would like to say on that is that if any such meetings are arranged I am sure Ontario would be glad to participate, but it seems to me that we are now getting into a political area—

The CHAIRMAN (*Hon. Mrs. Fergusson*): I think so too.

Mr. MONTEITH: There are a few more political areas I would like to get into, Madam Chairman!

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not think we want to bring in that type of question if we can avoid it.

Mr. MONTEITH: I have one further point, and I do not think this is being political.

Has Premier Lesage not recently indicated at least an interest in Ontario's plan? I understand he made some statement to the effect that he was not going to introduce his legislation until the Ontario plan had been presented and examined.

Hon. Mr. CROLL: He said he would not do so until the dominion plan had been passed; that is what he said.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Have you anything to put on record in regard to that statement?

Mr. LLOYD: It was on record this morning.

Mr. COWARD: It appears in the *Globe and Mail* of January 30. The first paragraph reads:

> Premier Jean Lesage said yesterday that Quebec's pension legislation will be introduced as soon as he knows how it may be affected by Ontario's entry into the federal plan.

Mr. KNOWLES: Presumably if that statement from the *Globe and Mail* is the gospel truth, the other one which was quoted today—the one that included the word "irrevocable"—is also gospel truth.

Mr. LLOYD: I will be brief. I am trying to keep the figures straight. I keep remembering what Mr. Coward always tells us. He says that when we are calculating the costs of the proposal we have to remember that in essence

—and I think these are the words you used, Mr. Coward—the elimination of the $600 exemption gives us a very substantial increase in income. Is that not so?

Mr. COWARD: Yes.

Mr. LLOYD: It represents 3.6 per cent of $600, in respect of every person who earns $600 or more up to $5,000. Is that correct?

Mr. COWARD: Yes.

Mr. LLOYD: Which is a very substantial sum of money. I think what you are suggesting to us, if I interpret your comments correctly, is that the cost of the increase in old age security will in substantial measure be made from the increased contribution by eliminating the $600 exemption. Is that not what you are saying?

Mr. COWARD: I would have to vary that a little. The costs of the $25 basic benefit will be high in the early years because we are providing it to those already retired who have no benefit from the Canada pension plan and this cost, other things being equal, will decrease as years go on, whereas the income from contributions on the first $600 will tend to increase,—

Mr. LLOYD: And, continue.

Mr. COWARD: —so in the initial period the costs of the $25 will be higher than the extra income. I think this may be reversed later on.

Mr. LLOYD: But your rough work sheet figures, as I recall them, would indicate to me that at the 3.6 per cent rate, bearing in mind all the other actuarial computations that have been made, it would still leave a substantial funding of the fund.

Mr. COWARD: It would still leave a substantial funding, yes.

Mr. MUNRO: Madam Chairman, may I continue? It seems that everyone has been putting supplementary questions.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I have other people on the list but if your question is supplementary, Mr. Munro, proceed.

Mr. MUNRO: In effect then, this proposal of doing away with the $600 exemption and creating a drain on the fund would hit at the two areas on which the province of Quebec has been most insistent throughout the series of negotiations since the beginning.

Mr. COWARD: I am sorry but I was not present at these negotiations and I do not know what they insisted on.

Mr. MUNRO: I am talking about the stand that has been taken as a result of the position of all the provinces from public statements that have been made in respect of these conferences. I was not present either. But, surely you are not saying that you are not aware that these two areas were very close to the heart of the province of Quebec.

Mr. COWARD: It would result in a smaller fund and it would mean the elimination of the $600 exemption.

It is our opinion that the average worker may be willing to pay this small extra contribution, not more than 90 cents a month, if he understands that this is providing $25 a month for his grandmother who is now retired. In fact, in our discussions we have called this the "$600 plus granny" proposition. The public will be asked to pay slightly higher contributions by basing them on all income, and this will provide extra flat benefit for the old folks in the case of many families, which would be very acceptable to the people of Canada.

Mr. MUNRO: Just in conclusion then, Madam Chairman, could I ask Mr. Coward this question. Assume this does form the basis of the two things

closest to Quebec's heart and because of our interest to preserve the plan as a national one as far as the provisions are concerned, would you be in favour, if your suggestions were adopted, of having the revenue to maintain the benefits you are recommending taken out of the old age security fund?

Mr. COWARD: No, sir. I think that the two plans should be integrated. You asked me for my opinion and this is my opinion. It would only postpone the day when the pressure would arise from old age recipients for increases which they would want to get from a multi-billion dollar fund, in which they have absolutely no part.

Mr. MUNRO: So, unless you get them out of the Canada pension fund you are not in favour of the recommendations being implemented?

Mr. COWARD: I would not go that far.

Mr. MUNRO: Well, presumably it has to come from the general revenue somewhere.

Mr. COWARD: You asked me if I would favour it coming from the old age security fund, and I said no, it is my opinion it should come from the Canada pension fund. And then you asked me if we should abandon the proposition altogether, if this happens to be impossible, and I am afraid I cannot agree with that.

Mr. MUNRO: If it is impossible for it to come from the Canada pension account what other source of revenue would you advise to maintain this benefit?

Mr. COWARD: If it is proven to be impossible we could go back and have further discussions with our task force. But, I think this is forcing us into a position in which I am unable to answer your question, for which I am sorry.

Mr. STEVENSON: If I could add a comment in respect of this point, this is one we have been discussing a good bit, and we ourselves are not absolutely sold on it.

This morning we were talking a little about the impact of financing welfare benefits solely from a payroll tax, and some of us may have ideas that there might be some greater integration of financing between the two; but, you have asked for personal opinions and here they are.

Mr. MUNRO: It just seems so strange that recommendations such as these would be made at this late stage in view of the general position known in respect of all the provinces and the efforts made to maintain a national scope; yet you have no alternative suggestions as to how it could be accomplished and—

Mr. COWARD: If I could interrupt, are we supposed to have alternative suggestions? I am sorry but I do not think it is reasonable to ask that we should come up with alternatives. We have suggested an alternative to the Canada pension plan, with alternative provisions, and if we have to have alternatives to our suggested alternatives I do not know where this thing would end.

Mr. MUNRO: I think you have to accept a certain amount of responsibility for recommendations so far as the means of implementing this is concerned.

Mr. COWARD: Yes, we accept the responsibility

Mr. MUNRO: You have known the position of one province and the problems we have encountered in an effort to get the other provinces to agree. You must have been fully aware of the implications as far as implementing your suggestion is concerned. I would think that over a period of one and a half years of negotiations if there was any sincerity with respect to these proposals they at least would have been made a good deal before this time, knowing as you do how it involves the interests of all concerned.

Mr. MONTEITH: This has been before us since last April or May.

Mr. AIKEN: Madam Chairman, there is obviously a deficient plan before us and surely someone can make suggestions as to how it can be improved upon. Suggestions have been made on many occasions that there are no such implications in this plan. It is deficient.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not think we can accept your words that it is an obviously deficient plan; it may be subject to criticism, but it is a matter of opinion whether or not it is deficient.

Mr. AIKEN: It is completely deficient on the point that has been raised this morning. There is no provision for this large group of people, on whose behalf the province of Ontario has made recommendations time and time again. If the federal government does not put them in, then surely they cannot come along today, as Mr. Munro has suggested, and say: We did not do it; you should do it.

Mr. MUNRO: If you do think it is so deficient it seems very strange to me why you voted for it in principle in the house.

Mr. CANTELON: Madam Chairman, I am getting sick of this kind of talk. We did vote for it in principle, yes, but that does not mean we voted for everything that was in it.

Mr. MONTEITH: We were invited by the Prime Minister to make—

Mr. MUNRO: When it gets into areas such as this, it seems to me that we, as Canadians, know how this plan evolved and how some of these features were put in to make it a universal plan. Some of Ontario's suggestions have been incorporated; there has been give and take in all areas in order to maintain a universal scheme.

Mr. AIKEN: Madam Chairman, I have to object to Mr. Munro casting slurs at persons who come here and make suggestions. I think it is completely unfair. If he wants to go into the political arena he should go into it at some other time and not with this witness.

Mr. LLOYD: Madam Chairman, I think we will do much better if some of these adjectives that were used were forgotten about. When it was identified and when it became knowledgable to Mr. Coward and his working staff and to ours, and to the premiers and to the government or the cabinet is not really important. What is important is this; can we at this stage still hope to improve upon what is proposed? This is the spirit in which we should proceed. I accept that this is the spirit in which Mr. Coward approaches us.

Some hon. MEMBERS: Hear, hear.

Mr. LLOYD: We reserve the right and when the time comes to look at all the evidence, not only that of Mr. Coward and the province of Ontario, but the evidence of all the organizations submitted to us, and after getting the results from our staff in respect of costs and implications, we will make our recommendations.

The CHAIRMAN (*Hon. Mrs. Fergusson*): You are quite right, Mr. Lloyd.

Mr. LLOYD: And then at that time, if necessary, we can take political positions.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not think these arguments should be put to our witnesses. They are putting before us their ideas and the government of Ontario's ideas in respect of this bill and how it can be improved upon. Now, whether we decide it can be improved or not is for us to decide later on rather than to argue with them now.

Mr. MUNRO: I regret the remarks I made in that sense, Madam Chairman. I really rather felt, and probably I was carried away, that it would have

been nice to have had these suggestions over the last one and a half years, when we were negotiating with Quebec.

Mr. CHATTERTON: May I add to that that our thanks should be expressed for having finally received them.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes, we are grateful you have brought them.

Are there any more questions? Mr. Knowles has already spoken but do you have another question to put?

Mr. KNOWLES: I am in your hands concerning when my next turn is to come.

The CHAIRMAN (*Hon. Mrs. Fergusson*): You have asked some supplementary questions and I thought perhaps that took care of what you had in mind. I would like you to notice that time is passing and that we have other witnesses waiting.

Mr. KNOWLES: Madam Chairman, I have a little oil for troubled waters perhaps. Like Senator Croll, I would like to tell you, Mr. Coward, that there are some sympathetic ears around this table, particularly when you come before us and talk about the gaps in the total program with which we are dealing. You are not the first one to do that; we must have had at least a dozen, and most of us around this table are concerned about the gaps. You have identified two main gaps, as I read your brief: One is the position of people over 70 who have only the old age security pension to rely on, and the other is people between 65 and 70 who have nothing or very little of the Canada pension plan to go on. I am still trying to get the picture of what you are proposing as a way to fill these gaps; I am still trying to get your comments on one or two aspects.

May I again make an introductory statement? I think the impression has got around, since Mr. Robarts made the statement the other day, that Ontario was advocating what amounts to an increase of perhaps $25 in old age security. Is it correct, as set out in your paragraph 19, that this $25 extra would be paid to all persons from January 1, 1967 receiving old age security benefits, but that after that it would be paid only in those cases where no graduated pension is payable to persons receiving old age security, with the slight qualification in paragraph 20 that if these people are not getting enough Canada pension plan benefit to bring them up to $100, then it would be brought up to that figure?

Mr. COWARD: No, the $25 will be available to everyone subject to the minimum restrictions of 10 years in Canada if they have no contributions under the Canada pension plan.

Paragraph 19 states that those not entitled to any graduated pension, that is who get nothing from the Canada pension plan, will receive a flat benefit of perhaps $25 a month.

Mr. MONTEITH: May I interject on this subject? Would this $25 become payable to those on old age security on January 1, 1967?

Mr. COWARD: Yes, sir, and it will be paid from the Canada pension plan fund. Paragraph 20 in our brief says that all those who do receive any graduated benefit will have this made up, if necessary, to a minimum of $25 or $50 for a couple.

Mr. KNOWLES: In other words—to get this clear let us suppose that there is this couple some time in 1970 who are both drawing $75 old age security. Between them they have $55 or $60 in Canada pension plan benefits. That couple would not get any of this $25 extra. In other words, this qualifies the interpretation I made this morning when I said you were advocating a $25 increase across the board for those 70 and over. You are really not doing so; you are advocating a supplementary amount to bring people up to $100, but

if they get the $100 by virtue of the basic $75 plus the Canada pension plan benefit, then they do not get this extra. Is that correct?

Mr. COWARD: That is correct.

Mr. KNOWLES: Whether I agree or not, it is useful to have this point made clear.

Mr. COWARD: We would like it to be very clear.

Mr. KNOWLES: Now, with respect to the group of people 65 to 69 years of age, when I look at the paragraph having to do with that, paragraph 35, I see you recommend that the retirement test should be used for both the Canada pension plan and for the benefit under old age security. I presume that when you refer to the retirement test you refer to the test which is in Bill No. C-136. Is that correct?

Mr. COWARD: We are referring to it but we do not necessarily say that the figures would not have to be altered.

Mr. KNOWLES: You are aware that those figures are: up to $900 no reduction, from $900, a dollar for every two, and from $1,500 up one dollar for one dollar. As I recall the evidence before this committee, the retirement test is worded in such a way that anyone taking old age security at the reduced rate does not have that money included.

Mr. COWARD: The retirement test does not apply to the old age security benefit at all.

Mr. KNOWLES: So that you would not apply it either?

Mr. COWARD: No, sir, we would apply it. We are suggesting that it is simply not logical to have one method of dealing with early retirement under the Canada pension plan and a totally different method under old age security. The first thing to do, to make this a united and integrated system, is to pay the benefits on early retirement before the age of 70 on the same basis in the case of the two programs. It is our view that they should either both be age reduced or both paid in full amount subject to an earnings test. After considerable debate we have come to the conclusion that an earnings test will be considerably better to apply the money where it is needed. The old age security benefit will not be reduced to $51 if you take it at the age of 65 but will be made subject to an earnings test.

Mr. KNOWLES: In other words, people between the age of 65 and 69, if they need the earnings test we are talking about, can get a total of $100 a month.

Mr. COWARD: Yes.

Mr. KNOWLES: But there is that difference between them and those over 70 that they have to submit to the retirement or the earnings test.

Mr. FRANCIS: That is the only difference.

Mr. KNOWLES: Have you not still quite a gap left when you have a retirement test, and are you not also leaving a gap for the people over 70 by virtue of the fact that in the course of time this $25 supplement would disappear through being absorbed by the Canada pension plan benefit?

Mr. COWARD: It will only be absorbed by the Canada pension plan in the case of contributors, and there will always be persons who do not, for one reason or another, contribute to the Canada pension plan, as well as people with very small earnings who would need the $25 minimum. It is not something that will completely disappear; it is something which will become less important.

Mr. KNOWLES: I have just one more question, and again I am asking a question that is sympathetic to the idea of filling these gaps: Would it not have been simpler, in this whole plan that Ontario is presenting to us, to have done what Ontario did a couple of years ago when you proposed the $65 base be

raised to $75 before the pension plan was built on top of it; that is, to propose a straight increase in the flat rate benefit without these retirement tests and absorption tests, and then have the Canada pension plan substantially as it is built on top of it?

Mr. COWARD: It would be simpler but it would have involved additional taxation for the old age security fund.

Mr. KNOWLES: Or the consolidated revenue.

Mr. COWARD: But we did not think it was appropriate for us to suggest something that would require additional general taxation.

Mr. KNOWLES: You would not be opposed to this kind of thing being looked at if the matter were considered further?

Mr. COWARD: We would not be opposed to it being looked at but I already expressed my opinion it would be better if the $25 were paid from the Canada pension plan fund.

Hon. Mr. CROLL: We are getting down to the basics. I understand the only difference between our plan and the Ontario plan is the method of taxing the money. This is what you are saying. It is just as simple as that.

Mr. MONTEITH: Oh no!

Hon. Mr. CROLL: What you have said to Mr. Knowles now, when he asked you why you did not recommend an increase, is that it would involve taxation on the part of the federal government.

Mr. COWARD: No, there are other points beside this. I have mentioned that in my opinion if the old age security is increased and you still have a huge fund amounting to five or seven billion dollars to which one section of the population has no access or entitlement, pressures will develop.

Hon. Mr. CROLL: But we are politicians. There are all these pressures on us whether there is a fund or there is not. We have been here a long time.

Mr. COWARD: I am trying to help you by relieving you of them.

Hon. Mr. CROLL: That is not very convincing. The suggestion is worthy of consideration. When we finally got down to the differences between our pension plan and increasing the old age security section, you finally said that that would involve taxation by the federal government. Why would that concern you?

Mr. STEVENSON: Could I make one comment? Could I refer Senator Croll to paragraph 12 of our brief on page 7? We very carefully endeavour to avoid the question of making specific recommendations in the field of taxation. We say:

> The government of Ontario believes that the proposed method of financing the Canada pension plan should not be regarded as immutable. If the royal commission on taxation were to find that the present proposals were greatly at variance with its recommendations for future development of the tax structure, it would be in the national interest to consider alternative methods.

Hon. Mr. CROLL: We can turn a deaf ear to any recommendation if we feel it does not fit into our plan. All you are doing is putting off the day of the royal commission on taxation; these things are ifs. You have impressed us with the fact that there are gaps. Somebody has to fill the gap, and it is always the government on behalf of the people. We are prepared to fill a gap here and try to do it in any way we can.

You come along with some suggestions and we are hungry for these suggestions because we are not in love with this original bill either. Then, finally when we get down to it we say, why cannot we do it in a way that will only affect the federal government and not affect the provinces. Finally, we say this will be a matter in which the government will have to impose taxation; is not that our responsibility; why should you bother about that?

Mr. STEVENSON: Because we do feel this is a very major royal commission which now is studying the tax structure, which will be reporting later in this year—I would think their preliminary recommendations already are being formulated—and I think it would be more than a shame if we suddenly introduced a large measure of increased revenue which is similar to taxation if it is at great variance to their own recommendation.

Hon. Mr. CROLL: Mr. Stevenson, the business of government does not stop waiting for recommendations of royal commissions. In fact, after they come in they have to be dust proofed, in any event, so it is a matter of some years no matter how good they are. We have business to attend to now, a pension plan to get ready, and we want help.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I think you have made your point. Mr. Lloyd says he has a supplementary question.

Mr. LLOYD: I have an observation to make in respect of the terms of reference of the royal commission. I have in my hand P.C. 1962-1334. For the record, the commissioners are appointed, under Part I, to inquire into and report upon the incidence and effects of taxation imposed by parliament, including any changes made during the currency of the inquiry. In view of these terms of reference, in view of the fact that since these terms of reference were written before the royal commission started, and since we now have an economic council and since again we have the tax structure committee, I do not think there is any harm to say, whatever you do, do take advantage of the agencies available to you to further refine our own observations. That is really what you say and there is no harm in saying that.

The CHAIRMAN (*Hon. Mrs. Fergusson*): There are a few more persons whose names I have. If they have questions to ask which have not already been asked, certainly we want to hear them; we do not want to limit any questioning by members of the committee of the witnesses, and I am sure the witnesses do not wish it either, but we also have another delegation waiting to be heard. I hope you will bear this in mind.

Mr. CHATTERTON: I am interested in paragraph 26 where it is stated that:

> The government of Ontario is of the opinion that the average Canadian believes that he will receive the full pension or something close to it at retirement.

I might make the observation that I have expended some ten days in my riding on this matter with some 15 groups and my information is there is an impression among many retired people that they will somehow benefit. I think the press has been remiss in reporting the proceedings of this committee. I believe the Ontario government received Bill No. C-136 about the same time we did.

Mr. COWARD: I think so.

Mr. CHATTERTON: And you have had the months of November and December in which to examine it and prepare some recommendations. In paragraph 12 you suggest the royal commission on taxation might be asked for a preliminary report. Would you not say in a plan as important as this that time should be allowed for such a recommendation by a royal commission?

Mr. COWARD: We feel very strongly that adequate time must be allowed to produce a good plan, but it is not our purpose to delay implementation of this plan. We will co-operate, and we will work as fast as we possibly can to help iron out these amendments and to get a good plan. For this reason we suggest the royal commission on taxation well might be willing to give you an interim report within a matter of perhaps ten days, or so.

In general, a pension plan is not a thing which has to be put in force very hastily because you can deal with those who already have retired, or who are

retiring in the meantime. I hope this is an adequate answer. We are not advocating delay so long as you have taken the steps that are necessary and so long as you are convinced the matter has been thoroughly investigated.

Mr. CHATTERTON: So many people across Canada are not aware of the details or the effect on them. Do you feel that the earnings over the last ten years would make it simpler for people to decide whether or not they should retire rather than having to go back to their wages 30 years ago.

Mr. COWARD: Yes, but it will not be an acute problem until the plan has been running for 20, 30 or 40 years. There have been at least three variations of the Canada pension plan; there have been two variations of the Quebec pension plan, and in Ontario we even have had two variations of the Ontario pension benefits act. It has been very hard for the public to absorb.

Mr. GRAY: What is the actual basis for the statement that the government of Ontario is of the opinion that the average Canadian believes he will receive the full pension, or something close to it at retirement? Has the government of Ontario taken a poll?

Mr. COWARD: No, but we have a Pension Commission which receives voluminous reports from all sorts of people. We have letters which clearly indicate that many people have misunderstood what this plan is doing.

Mr. GRAY: I suppose you have a lot of complaints about the Ontario pension benefits act, too.

Is it not a fact that although the bill before us did not have first reading until November, the white paper was available in August?

Mr. COWARD: There are some differences between the bill and the white paper. It is true a white paper was available in August.

Mr. GRAY: And the basic provisions of the plan also were a part of the correspondence contained in an exchange between Premier Robarts and the government of Canada in April.

Mr. COWARD: The benefit and contribution structure, yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I presume most of this correspondence would be from people in Ontario?

Mr. COWARD: Yes. Most of our correspondence is from Ontario, but we are in correspondence with companies outside Ontario who have a few employees in Ontario. Our pension benefits act in its practical effect is reaching outside Ontario to some extent.

Mr. MONTEITH: Roughly, how many pension plans are there in force in Ontario now?

Mr. COWARD: Approximately 7,500.

Mr. MONTEITH: Have you any idea how many there were in the United States at the time when the O.A.S.D.I. came into being around 1937?

Mr. COWARD: I do not carry that information in my mind.

Mr. MONTEITH: I am interested in paragraph 41 where you indicate in your opinion many of the amendments you are suggesting would make integration easier for those who were faced with the problem. Have you anything to say in expansion of your words here?

Mr. COWARD: Yes. I might remark there has been an impression that the only pension plans which need to be integrated are very generous plans. We are not entirely persuaded that these are the only plans which need to be dealt with. Apart from what I would call benefit integration, there is such a thing as cost integration where the employer and his employees together must find three or four cents an hour each for the Canada pension plan and are not prepared under prevailing conditions to pay that extra money and maintain their private plan. Integration therefore is a matter which concerns not only

the very generous plans, like the public service plans, but also some relatively ungenerous plans.

We have a number of items in our brief which will make integration easier. I am not saying that they will eliminate all the problems, but they will at least help. The 20 year transition period would have a significant effect, and would avoid cases which have been brought to the attention of this committee, where the pension exceeds the previous earnings—a very nice state of affairs if one can afford to apply one's money in that particular way, but one which is usually regarded as somewhat inefficient.

The exemption of the $600 would also assist, and the provisions for treating retirement between 65 and 69 on the same basis under old age security and the Canada pension plan would be a further advantage here.

Mr. MONTEITH: Does Ontario at the present time have a widow's assistance or just a female assistance act after 60?

Mr. STEVENSON: Yes, I think it was last year that the widow's allowance was commenced at 60 rather than at 65.

Mr. MONTEITH: And in those cases, such as the one which Mr. Chatterton asked a question about this morning, concerning certain people who retired at 60 or were forced to retire at 60, I think some discussion took place at that time to the effect that they would automatically retire on their pensions at that time. But the Canada pension plan according to your ten best years of earnings would eliminate those five years as part of their period of earnings.

Mr. COWARD: Yes, they would not be penalized by having five years of nil earnings between the time they retired and the age of 65. And presumably they would not retire unless they had some income from a pension plan of some sort.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Now, Mrs. Rideout.

Mrs. RIDEOUT: I have been listening with a great deal of interest to all the information regarding your proposed changes and I am going to ask a question about something which leaves a little doubt in my mind. For instance, you may have a man aged 65 who has retired, and because he has retired, he is eligible to receive $25 a month. But suppose you have a man who is 65 and he cannot afford to retire; he has to keep on working because of any number of reasons such as family illness, children to educate and so on, and he cannot afford to retire. So there must be continuing work for him. Do you think this is fair, when the man who has retired at 65 could be a millionaire?

Mr. COWARD: If he is a millionaire, a very large part of his benefit is taxed back.

Mrs. RIDEOUT: I mean the person who cannot afford to retire. What position is he in?

Mr. COWARD: Presumably he earns considerably more than $100 a month, as he would otherwise not stay at work, so he is better off by continuing to work.

Mrs. RIDEOUT: He might not be working. He might prefer to be retired, but he is just in no position to do so.

Mr. STEVENSON: May I interrupt to say what I think under our recommendations such a person would be better off than he would be under the present provisions. A person who perhaps is retired at 65 may still have rather large needs. Under the present proposal he may have failed to receive a pension at that time, and would be able to receive only the aged reduced old age security. So he would have to try to find another job, something which is very difficult after the age of 65.

When you use an earnings test for people who receive old age security between 65 and 70, I think you face the question of need in this area, and you meet it much more adequately than you do under reduced old age security.

He would still be better off if he kept on working, but this is the same under the present proposal or under the proposal we have made.

Mr. COWARD: Under our proposal he will not be worse off than under that of Bill No. C-136.

Mrs. RIDEOUT: That is a matter of opinion, and I still think he would be.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any more questions.

Mr. CHATTERTON: I have a question in regard to the next paragraph.

Mr. GRAY: May I have my second round?

The CHAIRMAN (*Hon. Mrs. Fergusson*): I did not know there were any more wanting to speak. Do you have another question on the second round? If so, please go ahead.

Mr. GRAY: You may have done this, but I do not seem to recall whether you stated exactly what Ontario's position was in respect of the concept of funding. Do you indicate that Ontario might have resources of sums available to the provinces? Would you give us the views of those you represent here of the size of the fund which should be available?

Mr. COWARD: If you refer to the letter from the premier of Ontario to the Prime Minister of Canada of February 13, 1964, you will see that he says:

> We are not opposed to partial funding. The fund clearly represents more than a working contingency reserve and yet falls far short of full funding in the conventional sense. There should be an established yardstick that will enable the actual progress of the fund to be compared from time to time with what has been budgeted.

And later on he said:

> We therefore suggest that 90 per cent of the reserves should be made available to the participating provinces to be invested in their obligations or in such other manner as they may designate.

Mr. GRAY: What is the yardstick you are proposing?

Mr. COWARD: There are many yardsticks which could be established. I mentioned one or two this morning. Whatever yardstick is adopted should be one which is known to everyone so that we can see if we are going ahead or falling back.

Mr. GRAY: You have not come to us on behalf of the government of Ontario with a specific proposal in that regard.

Mr. COWARD: No, sir, we have not included that in our brief but this was mentioned in previous letters.

Mr. GRAY: Thank you.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not think I have any other names.

Mr. CHATTERTON: In paragraph 32 you suggest that old age benefits and Canada pension fund benefits be indexed by use of the cost of living index rather than by the earnings index. Why not make use of the earnings index?

Mr. COWARD: Well, we are following the principle that has been established. Perhaps I should not use that word principle, but rather say we are following the method which has been used in the Canada pension plan proposal in which the cost of living index is used after retirement.

We have to a large degree replaced the wage index before retirement by our best 10 years concept. So we felt we should hang our hats on the cost of living index for this particular feature. The most essential thing is that you should use a single index. Otherwise you get difficulty with people of the same

history who retire at different times and who will permanently have different pensions, a matter which is very hard to justify in equity.

Mr. CHATTERTON: I wonder why you chose the consumer price index rather than the price index of cost. We have had evidence to indicate that in the two needs of those retired, and having regard to the over-all level of earnings of those working, the consumer price index has a greater tendency towards inflation than has the earnings index.

Mr. FRANCIS: Or vice versa.

Mr. CHATTERTON: If you were to use an index of earnings, there would be less inflation.

Mr. FRANCIS: Why? Is it not the opposite way around? I think there is a misunderstanding here, Madam Chairman.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Is that all, Mr. Chatterton?

Mr. LLOYD: Why not let the witness answer the question? Let him straighten it out? He is well qualified in this field.

Hon. Mr. CROLL: I have one question arising from that, Mr. Coward. Is it fair to say that if we proceed on the basis of increasing the old age security section of this act, it will cost the federal government a considerable amount of money, and it will cost the province some money?

Mr. COWARD: It would cost the provinces something for old age assistance—

Hon. Mr. CROLL: Yes.

Mr. COWARD: —which, no doubt, would have to be increased correspondingly. The cost of old age security falls entirely on the federal government.

Hon. Mr. CROLL: At the present time your assistance in Ontario is $20?

Mr. COWARD: We pay half the cost of the old age assistance, and we have certain supplements.

Hon. Mr. CROLL: Some provinces pay less and some pay nothing. Ontario pays $20 I think.

Mr. FRANCIS: Yes, $20.

Mr. STEVENSON: To bring it up to $75.

Hon. Mr. CROLL: No, it is beyond $75. It is $75 plus the supplementary which, I think, in Ontario is $20, half of which is paid by the federal government and half by the provincial government.

If we took the second portion of this plan and decided to fill those gaps, it would cost the federal government a considerable amount of money and it would also cost the provincial government some money.

Mr. COWARD: Yes, sir.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Senator Croll, from my experience as a regional director administering the old age security, I am under the impression that the supplementary amount is paid entirely by the province and is not shared with the federal government.

Mr. MONTEITH: It is shared 50 per cent with the federal government.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I understood it was not.

Mr. MONTEITH: Yes.

Mr. STEVENSON: May I read from page 1622 of the proceedings of the special committee of the Senate on aging:

> In Ontario, supplementary aid to recipients of any of the four maintenance programs may be granted under the General Welfare Assistance Act. This aid is administered by the municipalities and by the provinces in unorganized territory. The province reimburses the municipalities for 80 per cent of supplementary aid up to a maximum of $20 a month.

Hon. Mr. CROLL: I remember that.

Mr. MONTEITH: Then you do get 50 per cent of that back from the federal government?

Mr. STEVENSON: Yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): If there are no more questions may I say that you will recall, Mrs. Rideout and gentlemen, that a form was given to us covering information that should be given and which had been circulated in the provinces but which was withdrawn by our witnesses. At that time it was stated that we could ask the department and Mr. Osborne to get the most up to date form which had been developed for the same purpose. I believe Mr. Sheppard, the assistant deputy minister of national revenue, has this latest form with him and would like to put it in the record. I think he will explain it.

Mr. D. H. SHEPPARD (*Assistant Deputy Minister, Taxation Division, Department of National Revenue*): I might mention that what I have to table now are two documents which I will describe as the latest version of the basic information to be contained in forms that will ultimately be prepared. In the normal course of events, after the bill is passed this information, along with other relevant material, will be sent to our forms experts who will draft the forms and, if acceptable, they will be approved by the minister.

The first of these is called "An application for a refund under the Canada pension plan." Normally this would be attached by a contributor to his T.1 Short income tax return. That is the return filed by the salary and wage earner. The other is called "The calculation of self-employed contributions," and it would be filed by a person who is making a self-employed contribution.

I think the forms are self-explanatory. After the hon. members see them I will be glad to give them any further explanation they might wish.

Mr. FRANCIS: I move that these forms be placed on the record.

Mr. LLOYD: I second the motion.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It has been moved by Mr. Francis, seconded by Mr. Lloyd, that these forms be placed on the record and become part of the appendix to today's minutes. Is that agreed?

Motion agreed to.

Mr. PRITTIE: May I ask a question? Has the committee passed a motion asking Mr. Osborne to supply the possible amount of contributions if the floor of $600 or $800 is removed?

Mr. FRANCIS: I believe this was done, Madam Chairman.

Mr. CHATTERTON: On this point, I would like to submit a request for other information. Is this the proper time?

The CHAIRMAN (*Hon. Mrs. Fergusson*): This would be the time.

Mr. FRANCIS: To clear the record, I think we did ask for the information for which Mr. Prittie has now asked.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I believe there was a request, but I do not believe there was any motion.

Mr. PRITTIE: I so move.

Mr. FRANCIS: I second the motion.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It has been moved and seconded that we ask Mr. Osborne to prepare the information that has been mentioned.

Mr. CHATTERTON: But, Madam Chairman, with this difference: Mr. Osborne has presented us with figures on the Ontario proposal for one year only, 1970. I am going to request that addition information be given.

The CHAIRMAN (*Hon. Mrs. Fergusson*): May we have one at a time, unless they integrate.

Mr. LLOYD: Madam Chairman, I suggest you deal with and dispose of Mr. Prittie's motion.

Mr. CHATTERTON: Does this motion refer to 1970?

Mr. PRITTIE: Let me hear your proposal and see if they can be integrated.

Mr. CHATTERTON: My proposal is that our staff provide us with figures similar to those in the actuarial report but based on the Ontario proposal, not necessarily for every year but for five years apart, that is, say, 1967 and 1971 and so on.

Mr. FRANCIS: Madam Chairman, the actuary gave us cost projections—high cost, low cost, intermediate cost, long range and short range. What does Mr. Chatterton have in mind? Does he want this on the same basis as the actuary's report?

Mr. CHATTERTON: Yes.

Mr. FRANCIS: Then I think it should be a request to the actuary.

Mr. CHATTERTON: I am requesting that this committee obtain this information from whoever is the applicable source; I guess it would be from the actuary. The information I want is similar to the information contained in the actuarial report, but using the Ontario proposal.

The CHAIRMAN (*Hon. Mrs. Fergusson*): When do we propose to meet next? Are we going to give the actuaries sufficient time to prepare this information? I would think it would take several weeks.

Mr. OSBORNE: It would take months.

Mr. KNOWLES: This is a different request from that of Mr. Prittie.

Mr. PRITTIE: Mr. Osborne was asked to provide information showing costs for a particular year. I would like to know what the revenues would be for this particular year if the floor of $600 or $800 were removed.

Mr. OSBORNE: Mr. Gray and Mr. Prittie have asked for this information and I have made a note of it.

The CHAIRMAN (*Hon. Mrs. Fergusson*): And you will be providing it?

Mr. OSBORNE: I will be asking the actuary to provide it.

Mr. CHATTERTON: I am coming back to my request. The information we will be receiving will be for one year only, for 1970. Evidence has been given that the effect of the Ontario proposal will vary greatly with time. I think it is important that the committee should have the information for several years, maybe for 1970, 1975 and 1980, giving an indication of the variation in the Ontario proposal with time.

I do not want to impose a burden upon anyone, but if we could have information for three years—1970, 1980 and 1990, I think the information would be invaluable.

Mr. FRANCIS: With the same variations of high cost and low cost?

Mr. MONTEITH: The same as the information for which Mr. Prittie has asked.

Mr. CHATTERTON: I am asking for the figures for which Mr. Osborne has already been asked plus those three years. Those figures, with the revenue for those three years, would give us a good indication.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Has Mr. Osborne any idea how long this might take?

Mr. OSBORNE: If the request is restricted to the same kind of data as that which has been provided for the year 1970, I believe estimates could be made for the years 1980 and 1990, but to ask for a complete actuarial report would take several months.

Mr. CHATTERTON: That would suffice for now as far as I am concerned.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Is that agreed?

Agreed.

Are there any further questions? I do not want to cut anyone off, but we have taken quite a long time over this.

Mr. Coward and Mr. Stevenson, I want to thank you on behalf of this committee for preparing your brief, and I want to thank your government, too, for having it prepared. We want to thank you for the evidence you have given before us and the patience you have shown in answering the very numerous questions that were put to you.

Your evidence has certainly been helpful to us because it has clarified and explained many of the points we were not clear about in the brief, and we certainly were glad to have you here. We want you to know how much we appreciate your coming.

Mr. COWARD: Madam Chairman, may I thank you for a very fair and full hearing.

Mr. MUNRO: Madam Chairman, may I move that the committee express its appreciation and gratitude to Mr. Coward and Mr. Stevenson, representing the Ontario government, for coming here all day to answer our questions.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It has been moved by Mr. Munro and seconded by Mr. Aiken that the committee extend its appreciation and gratitude. Will you carry this motion in the usual way.

The motion was carried by acclamation.

Mr. LLOYD: Madam Chairman, do you plan to go on with the Canadian Teachers' Federation or is it your intention to adjourn at this time and meet the Canadian Teachers' Federation this evening?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Lloyd, we have another delegation listed for this evening.

Mr. LLOYD: Oh, I see.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I would suggest that we go on as far as we can and if we have not finished with the Canadian Teachers' Federation by 5.30 this afternoon perhaps we can sit a little later, and then if we are unable to complete it we could take up their brief again at 8 o'clock this evening.

May I ask the representatives of the Canadian Teachers' Federation to come up and take their seats at the head table.

Mrs. Rideout and gentlemen, as you know, we have a brief from the Canadian Teachers' Federation. Mr. George MacIntosh, the president, is going to make a statement. As you will note, there is quite a large delegation; there are representatives from the Atlantic region, Ontario, and the western region. Someone will speak on behalf of each of these regions. I would ask Mr. MacIntosh to introduce these other witnesses.

I know that members of the committee are tired but, if you do not mind, perhaps we could continue a little beyond 5 o'clock, which is our usual time of adjournment, as Mr. MacIntosh has to leave. His wife is very ill and he is leaving by taxi at 5.45 this afternoon, if possible. So, if you do not mind going a little beyond the 5.30 adjournment time it would be helpful.

I will now ask Mr. MacIntosh, the president of the Canadian Teachers' Federation, to present the brief and introduce the various witnesses.

Mr. GEORGE MACINTOSH (*President, Canadian Teachers' Federation*): Thank you Madam Chairman. First of all, I should apologize to the members of the committee, but these are things that I am afraid happen over which we have no control. However, I think you probably all will be tired by 5.45 p.m. By catching a cab I can get to Montreal and later make a connection for a flight to the clinic

in Boston. So, there is no real problem. I am sure you are pleased to think you might indeed be finished by 5.45.

I would like at this time to introduce the members of the delegation. Perhaps we are a rather larger delegation than you might expect, but these people do represent the teachers' organizations in all of the provinces, so there are a few more witnesses than you normally would expect. So that you will know them, sitting next to me is Mr. Tom Parker from Nova Scotia who will speak on behalf of the Atlantic provinces. Miss Marie Duhaime, will speak on behalf of the Ontario Teachers' Federation. Then there is Mr. Robert Gordon from Manitoba who will speak on behalf of the western provinces. We have a number of others in the delegation as well, starting away down at the back. First is Mr. David R. Brown, a consultant with the Ontario Teachers' Federation superannuation committee; Miss Ruby McLean, chairman of the Ontario teachers' superannuation committee; Miss Nora Hodgins, secretary treasurer of the Ontario Teachers' Federation; Mr. Harry Cuff, assistant secretary of the Newfoundland Teachers' Association; Mr. Alfred H. Kingett, general secretary of the New Brunswick Teachers' Association; Mr. William Jones, assistant secretary of the Ontario Teachers' Federation; Mr. Norman M. Goble, assistant secretary treasurer of the Canadian Teachers' Federation, and Mr. Nason, secretary treasurer of the Canadian Teachers' Federation.

All these people will not speak but they are all here, and they have information which they are willing and able to offer. In this way we hope we will be able to give you answers to as many questions you would like to put.

The teachers of Canada are very appreciative of this opportunity for their representatives to meet with the joint committee. As you all know, teachers have been working with their provincial governments in the pension field for many years. During this time we have gained considerable knowledge about superannuation schemes and their operation. However, I would emphasize that we are not pension experts with specific training in this area. We have, therefore, had to maintain careful and continuous study of our pension plans over the years.

While we hope that our experience will enable us to make some positive contribution to your work as a committee, at the same time we hope to learn a great deal about the Canada pension plan from your comments. We are aware that you—both as members of the House of Commons and the Senate—and more recently as members of this joint committee—have studied carefully all aspects of Bill No. C-136; and we are grateful of the opportunity of obtaining first hand information that we can disseminate to our one hundred and forty thousand members.

We regret that our submission is not yet available in both English and French. It is our policy to conduct our affairs bilingually and our custom to prepare such statements in both languages. However, in the short time since we were advised of this hearing it has been possible to prepare our text in one language only. Our submission will be available in French very shortly and we shall be pleased to make copies available to the committee.

As a matter of fact, this work is in progress right now not very many streets away from here, and we shall be pleased to make copies available to the committee as soon as possible.

As you will have observed our submission actually comprises briefs by the provincial teachers' organizations with an introductory statement by the Canadian Teachers' Federation. This pattern is, of course, natural for the effects of the Canada pension plan will be felt directly in the provincial jurisdictions. C.T.F.'s part has been one of study so as to provide affiliates with information and coordination.

The C.T.F. introductory statement, therefore, includes some general observations about opinion in the various provinces. It also includes a number of queries, the answers to which will, in our opinion, provide the teachers of Canada with the insight necessary to appreciate the fundamental principles which have motivated certain sections of the act.

The three regional briefs raise in more detail a number of matters that teachers feel to be important in view of their knowledge about education and pensions in their respective provinces. As you will have expected, there are some similarities and some differences in these briefs representing as they do opinions of the teachers across Canada from Newfoundland to British Columbia.

Since teachers' pensions are a provincial matter, I would suggest that we deal first with the regional submissions. We could then return to the queries in the opening statement which are intended to provide clarity and basic background for the whole profession in Canada.

To this end and with your approval I propose to call for a very brief statement from Mr. Thomas Parker, speaking for the Atlantic organizations, Miss Marie Duhaime, speaking for the Ontario Teachers' Federation, and Mr. Robert Gordon on behalf of our Western organizations.

I would like to ask these people, if it meets with your approval, to speak in that order. I should perhaps add also that it may have sounded as if the teachers were ready to leave at a quarter to six. Of course they are not. The president, of course, is free to leave but they will stay as long as you want them to stay, for as many days as you want them.

Mr. GRAY: As a sort of detention.

Mr. THOMAS PARKER (*Executive Secretary, Nova Scotia Teachers Union*): Madam Chairman, ladies and gentlemen, I shall be very brief. I am speaking on behalf of the four teacher organizations in the Atlantic provinces. These four organizations include practically all the qualified teachers in the four provinces in the east.

We have six points, and I will go over most of them very quickly. We believe that consideration should be given to amending Bill No. C-136 so that teachers and others who have not completed their education at the age of 18 may continue to do so without being penalized as they would appear to be at present under the terms of Bill No. C-136. This is particularly important for teachers whose training for the most part requires that they continue well on beyond the age of 18.

The second point is that most of our pension plans in the Atlantic provinces provide for retirement at the age of 60. This is a full service retirement plan. We would hope that some amendment might be made to provide for an early actuarial equivalent for those who do retire on their own provincial plan at the age of 60.

The third point has to do with the orphans' benefit mentioned in Bill No. C-136. We would hope that this might be amended to include broader coverage of survivors. We are thinking in particular of the survivors mentioned under the Income Tax Act. We might mention there are persons who are continuing their education beyond the age of 18; we might mention there are people who are mentally and physically disabled and have been so during their entire life.

Our fourth point is one on which I would like to spend a longer period of time. It regards teachers, and this is true not only of teachers in the Atlantic provinces but it is generally true. Many of them have two positions during the year: from January to the end of June they are in the employment of one board. If their contract has been terminated, this means that they will be working for another board in the fall for the remaining five months. While

there is a provision for repayment of overpayment to the individual teacher, there is no provision to take care of overpayments being made by boards. We feel that this money could be used to better advantage in providing improved educational services.

At the present time there is no provision, judging from the readings of your committee's deliberations, for the employment board to get back the overpayment it has made. When I say board I am thinking, of course, of the school board. In addition, in at least one other province in the Atlantic area a teacher or a principal may be employed by two and sometimes three boards simultaneously, receiving pay from each one of the three boards. As we understand it, it is planned that each employing board may make deductions. We believe that this could be overcome by changing the act or the regulations in the act so that the province would be enabled to make payments on behalf of the board. This would eliminate overpayments as far as the school boards are concerned.

Our fifth point has to do with consultation. We believe that when any change or amendments are considered in the regulations the government should provide an opportunity for all interested bodies, including teachers, to present their views before those amendments are finalized.

Finally, the last point is that we believe that the governor in council should give consideration to appointing a representative of the Canadian Teachers' Federation to the advisory committee on the Canada pension plan.

Thank you, Madam Chairman.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Would the committee prefer to question the people who have already spoken at this point?

Hon. Mr. CROLL: Let them all speak until they finish.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I would think so also.

(*Translation*)

Miss DUHAIME (*President of the Ontario Teachers' Federation*): Madam Chairman, since the province of Ontario is a bilingual province I shall take the liberty of saying a few words to you in French. The members of our Committee and the representatives of the Ontario Teachers' Federation are grateful to you and thank you for having granted their application to discuss the pension plan with you. The brief that you have in hand was drawn up by our Ontario pension fund committee and by the Board of Management committee. It was only after serious and searching study that they submitted this brief to you. Madam Chairman, with your proposal, I shall take the liberty of reading only the first paragraph of our brief and the six recommendations which we are presenting to you.

(*Text*)

This I shall do in English. The Canada pension plan, as embodied in the provision of Bill No. C-136 raises a number of difficulties and complications for Ontario teachers. Many of these can be overcome by appropriate changes in the Ontario teachers superannuation act, but in a number of areas the federation believes that the changes in Bill No. C-136 would be desirable not only because of their effect on members of the federation but also in order to make the Canada pension plan a more satisfactory and equitable social program for all Canadians.

Specifically, the federation proposes: Firstly, that certain changes be made in the dropout provisions now contained in clause 48 of the bill.

Secondly, that the definition of contributory periods in clause 49 of the bill be changed to delete any reference to age 18.

Thirdly, that provision be made for the commencement of benefits on a reduced rate at an earlier age than 65.

Fourthly, that clause 6 (2) (*e*) be deleted or amended to make it clear that teaching members of religious orders may contribute to the Canada pension plan and receive benefits.

Fifthly, that the intention of clause 6 (2) (*i*) and 7 (1) (*e*) in their effect if any upon teachers, be clarified, and that some assurance be given that teachers employed by foreign governments under such programs as overseas aid would be permitted to contribute to the Canada pension plan during such employment.

Lastly, that certain administrative provisions of the bill, or proposed administrative arrangements for the collection of contributions, be modified. Madam Chairman, if it meets with your approval, I shall call upon Mr. Bill Davies to replace me in order to answer the technical questions.

The CHAIRMAN (*Hon. Mrs. Fergusson*): The next witness is Mr. Robert Gordon, assistant general secretary of the Manitoba Teachers' Society.

Mr. ROBERT GORDON (*Assistant General Secretary, Manitoba Teachers' Society*): Madam Chairman, the four western provinces have prepared a submission to present to the committee in respect of some of the improvements which they think could be made in the Canada pension plan which would be of benefit not only to teachers but also to other elements of the population. Some of these points have been covered by the other two submissions. You will realize these submissions were prepared independently.

We have four points we would like to bring to your attention. The first deals with the dropout period. We have suggested the dropout period be increased from 10 to 20 per cent or, if that is not possible that it be increased to 20 per cent over a period of time; that is, in the future, say 20 or 30 years from now, the dropout allowance be increased so that the people who are starting to work now will have almost the same benefits as those who will be employed at say age 35 when the plan comes into effect in 1966.

Another alternative would be to leave the dropout at 10 per cent, but to allow further deduction for time spent in educational institutions. Our brief deals with this in a little more detail.

We are concerned about the refund of contributions made in excess of the maximum death benefit in cases where the deceased contributes and leaves no one. We have in mind widows with no dependants. We would think there is a possibility of an escheatment here.

The further point is mentioned by the people from the Atlantic provinces; that is, the matter of collecting and remitting of Canada pension plan contributions. If it is not feasible to refund to employers, we would suggest that the government be allowed to make the contributions on behalf of plans that are administered by or supported by the government. As you probably know, the teachers' pension plans in the west are supported by the government. Manitoba is the only province where the trustees actually make a contribution.

Finally, we would like to see section 7 changed so that people who are employed in foreign countries under international organisations such as UNESCO or ILO are permitted to participate in the Canada pension plan if they so desire.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much. That completes the presentation on behalf of the delegation. I have a list of people who wish to ask questions. Mr. Cantelon is first.

Mr. CANTELON: Madam Chairman, I note that in all cases we have listened to so far there seems to be a great deal of concern over the fact that the government is supporting the teachers' plan, and this might lead to some difficulty. I also note in the first part of the brief by the Canadian Teachers'

Federation you say that generally the provincial governments make a contribution to teachers' pension plans. Do you consider this makes the provincial government the employers; would they be the people who would be with you to assist in negotiating integration of your plans with the federal government?

Mr. WILLIAM JONES (*Assistant Secretary, Ontario Teachers' Federation (Central Region)*): I think, for purposes of pension, in Ontario at least, the government in fact deducts the contributions on behalf of the school boards and it becomes a bookkeeping operation whereby they deduct the contributions which a board would make on behalf of its teachers. In Ontario's case, the government also contributes 6 per cent, the equivalent amount. In order to facilitate the handling they deduct this money from grants to the boards and transfer it to the superannuation fund.

Mr. CANTELON: I understand that the situation is somewhat different in some of the prairie provinces. I understand some of them do not actually make contributions at all; they guarantee the solvency of the fund, but they do not actually make a matching contribution. In fact, the teachers' pension plans are unfunded plans which they guarantee. In the Canada pension plan, as well as the teachers' 1.8 per cent, another 1.8 per cent now must be contributed by the employer, either the school board or the provincial government. Have you had any indication from the provincial governments which would be concerned in this in respect of their willingness to make these contributions?

Mr. GORDON: In the case of Manitoba, the trustees do make a contribution now on behalf of each teacher and there is a contribution from the government. In the other provinces I believe the trustees are not involved in the plan, but as we understand the Canada pension plan the trustees will be required to make a contribution of 1.8 per cent. What we have suggested is that the government be allowed to make these contributions on behalf of employers. As Mr. Jones has stated, this is simply a matter of deducting the money from grants.

Mr. CANTELON: I noticed your comment in that respect. I notice, also, your concern with the way in which the benefits are calculated on the long period of 42 years. I wonder whether, instead of increasing the dropout, as I think two of the presentations suggested, to I think 15 or 20 per cent, if you had a plan of using say the best 10 years to calculate the benefits it might be better.

Mr. TOM PARKER (*Executive Secretary, Nova Scotia Teachers Union*): I might answer that by saying all of the teachers' pension plans across Canada have some form of final earnings, whether this is the highest five years, or the last five years, or the last ten years. They are similar in that regard. I think that answers your question.

Mr. CANTELON: Yes. Do I take it that if such a plan were adapted using the best ten years it would eliminate the big disadvantage because of the fact that teachers often do not begin to work until 21 or 23 years of age?

Mr. GORDON: That is not as I understand it. I believe while it is true the average earnings may be calculated on a ten year basis, the amount of the pension that is to be paid will depend on length of service. Every plan is to be from age 18 to age 65, or 47 years. With a 10 per cent dropout maybe people still will not be able to get full benefit. Our recommendation is there should be some allowance for people who continue to improve their education. There is so much emphasis on this now from all points of government. The people should stay in school. We think age 18 is too early an age, or we believe the dropout period should be extended, or some allowance might be made for time spent in educational institutions.

Mr. CHATTERTON: Does not the proposal that the pension be based on the best ten years achieve your objective?

Mr. GORDON: No. It may give them a higher average earnings, but it will not do anything to give them an opportunity to get the full period of service. The pension is based on two things, earnings and length of service. If it is left as it is now, it is our belief that many of the people never will be entitled to a full benefit because the dropout period of 10 per cent is too low.

Mr. JONES: In the case of Ontario, on the page following the first green page in the brief, we offer two suggestions; one is that the contributions not begin until the person starts earning which would solve the problem for our people, or not start to teach until age 21, 22 or 25. Our second proposal is that the dropout provision might be increased 10, 15 or 20 per cent, and we were rather elated to hear that the premier of Ontario suggests the best ten. This is something we have been talking to the government of Ontario about for a number of years.

Mr. MUNRO: You have a lever in this.

Mr. JONES: We would be happy to see the government put in the best ten years, because we would like to take that home to him.

Mr. CHATTERTON: You feel the best ten years would achieve your objective?

Mr. JONES: Yes.

Mr. GRAY: What about a woman who teaches ten years or less before retirement; would you not need some type of a dropout period if the ten years come at the beginning of her teaching career?

Mr. JONES: I am sorry, but I am afraid I do not quite understand the situation.

Mr. GRAY: Let us assume a lady goes to teacher's college at the age of 18 and finishes at the age of 20. Then she teaches for six or seven years and then gets married. You do not have a dropout. In addition to the ten best years, that type of person would be penalized if you counted the time she spent at teacher's college as part of her ten year period. This would be the case, would it not?

Mr. CANTELON: There was one other problem, too.

Mr. KNOWLES: May I ask a supplementary question in the same field?

The CHAIRMAN (*Hon. Mrs. Fergusson*): All right.

Mr. KNOWLES: Witnesses have indicated their interest in the best ten year's proposition. Might I ask if you have any preference between increasing the percentage of the drop-out years or allowing specific years when they are out getting their education? If you allow specific years for education, problems will arise. What is a year spent in education? What do you do in a year when you are partly going to school and partly teaching school? Would you settle for a general increase of from 15 to 20 per cent on the drop-out provisions?

Mr. JONES: In the case of Ontario those years in which a teacher is not an active teacher, the superannuation commission has certain regulations governing them. I would think that if we integrate the plan, the same regulations that they use in determining whether a person may or may not contribute on behalf of his years outside of Ontario or outside of Canada might also be used.

Mr. KNOWLES: You mean there should either be specific years for education, or an increase in the percentage of the drop-out payments?

Mr. JONES: Yes, I would think so.

Mr. MACINTOSH: We are aware of the difficulties which Mr. Knowles has mentioned. You somehow or other have to define what it is, and this provides all sorts of complications. But these are alternatives which were suggested. There may be some instances when it is safe to say that the simpler of the two systems would increase this drop-out period, and that it makes better sense.

Mr. CANTELON: I wonder about that, because you have the years 60 to 65 in these cases which you will have to use automatically and have drop-out years, so they still have the best ten years. Do you think this would be preferable from your standpoint? I would like Mr. Parker particularly to answer this question. I am thinking of the teachers who probably change their employment on the first of July or the first of September, and consequently they may be working for two employers. If the total salary for those two periods, the two employments, is less than $5,000 there would be the one proviso. But there are many teachers who now make $10,000 or better. Of course it all depends on where you live. These people would be making double contributions. Of course, the same employer would get them back, but the employee would draw it. You have given us some discussion and we have heard arguments about this from many others who have been here too. I wondered if you would care to elaborate on it a little.

Mr. PARKER: Yes, in the first place I did not read the figures which you have in front of you. We have 20,000 teachers in the Atlantic area, and possibly 15 to 20 per cent of them are earning in excess of $5,000. These are the ones who create the problem. There is no problem for those earning under $5,000.

The turnover in teaching population shifts from one year to the other in the job provisions, and it is quite high. Therefore there would be many, many cases where a person employed in the school year let us say September to August 1 or July 31—this varies from province to province which have different cut-off dates—would be working in fact in one school from September straight through to the end of June, and then take another position the following September. As it applies to Bill No. C-136 in a calendar year this means that the teacher would be in employment, with one board from January on to the end of that school year which would be July 31, and then assuming she or he has taken employment elsewhere, he or she would be in employment with the school board for the balance of the year, the remaining five months or whatever it may be. On the basis of the first earnings, 1.8 per cent, depending on the sole salary, it would exceed the maximum contributions when the teacher left her first job be it he or she, as the case may be.

The employing board has to begin to make deductions, and it should not do so at all. This is a problem. I realize administratively that if this were applied to all occupations and all jobs it would be extremely difficult if not impossible. It is not impossible if the provincial government makes the payment on behalf of the board, because they have the records, and when a teacher has made the required contributions, then there is no need for the balance on the first part of the year or the second part of the year for any further contributions to be made.

Mr. CANTELON: It would be very much simpler that way.

Mr. CHATTERTON: Are teachers' contributions made by the provincial governments in all the provinces?

Mr. MACINTOSH: No.

Mr. JONES: On page 4 it is pretty much the same thing and it poses a problem. It may be answered or not, but we have included it for interpretation. It is where the teacher's pension is based on the months of contributory service. In Ontario we have a problem where the contract is an annual contract. Under the regulations of the school administration act it is required that the salary be paid in a ten month period. We wonder whether this would work to the disadvantage of our members. We are seeking some clarification on it.

Mr. FRANCIS: May I ask a question of clarification in that regard?

Mr. CANTELON: That was the one I was going to ask.

Mr. OSBORNE: So long as the teacher has been in the same employment, the fact that he does not work during the summer months should not affect the situation in any way.

Mr. MUNRO: And the two months off do not count as part of his zero earnings.

Mr. OSBORNE: No. The record is not kept on a monthly basis but on an annual basis.

Mr. FRANCIS: Does that reassure the delegation?

Mr. PRITTIE: The question of teacher's pensions is probably only of academic interest to Mr. Cantelon who has retired. But it is possible some day after a general election it would be of real interest to me again, and even to Mr. Laverdière as well.

Mr. MUNRO: Do not be such a pessimist.

Mr. PRITTIE: I am not worried about the next one. This is a rather interesting brief, and it raises quite a few questions which I think we will have to deal with. I noticed that at least one of the problems it raises is the same complaint that was presented by members of the firefighters' association, with too early retirements. This is a problem we will have to consider. We have made a general provision, but there are special employment groups which have a record of early retirements, and this is a very interesting point.

On page 3 of the Ontario brief they refer to clause 7(1)(e) of the act. This deals with the fact that the province will decide which people under this amendment will come under the Canada pension plan. I realize that teachers generally are not employed by the province but by the schoolboard. I would like to ask any one of the delegation if there is any real doubt in his mind about this point, that some province may declare that teachers are not employed persons within the meaning of the act.

Mr. JONES: Madam Chairman, the doubt is raised in our minds because, for purposes of pension, we are more or less under the Ontario government in that the board does deduct from our salaries the teacher's contribution. The government does contribute 6 per cent also, or at least an equal amount, to save confusion with some of the other provinces. It is for that reason that we seek clarification here. We are not taking any position on the question, as we say, but we are seeking clarification.

Mr. PRITTIE: Have any of the teachers' organizations asked their provincial governments?

Mr. GORDON: We did not think it was necessary. We do not think we are government employees.

Mr. JONES: But Ontario is particularly concerned since it is a federal bill.

Mr. PRITTIE: Where are you from, Mr. Gordon?

Mr. GORDON: I am from Manitoba.

Mr. CHATTERTON: I posed the question to Mr. Osborne and he gave me some information which perhaps he can repeat.

Mr. OSBORNE: May I know precisely what is the question?

Mr. PRITTIE: On page 3 of the Ontario federation's brief we see this statement:

> Fifthly, the federation would like clarification on two questions affecting participation of teachers in the Canada pension plan. First, section 6(2)(i) provides that "employment by Her Majesty in right of a province or by an agent of Her Majesty in right of a province" is excepted

employment, although section 7(1)(e) provides that the province may make an agreement with the governor in council to include such employment as pensionable employment. Without taking any position on the question, the federation would like some clarification as to whether these sections are to be interpreted as meaning that teachers employed by local school boards may only participate in the Canada pension plan if the province in which they are employed makes a special agreement therefor with the governor in council.

Mr. OSBORNE: Madam Chairman, as the teachers from Manitoba pointed out, they do not regard themselves as employees of the provincial government. The explanation given to the members of the committee by the draftsman of the bill at the time this clause was being discussed pointed out that clause 6(2)(i) was intended to exclude employees of provincial governments or employees of agents of the crown in the right of a province because, as he explained, the federal government has not the jurisdiction to impose taxes on provincial governments and could not let the employer share the tax. But he also pointed out that municipal school boards were not crown agents and were not exampt from federal taxes, and for that reason this section of the bill, section 6(2)(i), would not be interpreted to apply to teachers.

Section 7(1)(e) is simply a section which gives the governor in council power to enter into an agreement with a province whereby the province, of its own decision, would decide to cover provincial government employees in the Canada pension plan but the decision would be left up to the province.

Does that answer the question?

Mr. CHATTERTON: Did you not tell me that the interpretation placed by the officers of the Department of Justice was that as far as they were concerned the employees of school boards were not employees of the crown or provincial agencies.

Mr. FRANCIS: For the purposes of this bill.

Mr. OSBORNE: For the purposes of this bill or any other bill.

Mr. KNOWLES: For any purposes.

Mr. PRITTIE: Presumably the provincial governments have agreed to this. If they have there is no problem.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Kingett from Fredericton has something to say.

Mr. ALFRED H. KINGETT (*General Secretary, New Brunswick Teachers' Association*): We have a report being considered in New Brunswick, and if it is adopted, as a result of one of its main recommendations the provincial government will be paying 100 per cent of the teacher's salary. In that case, could the provincial government collect from the federal government for the teacher's share?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Kingett, I noticed all the questions in your brief. There were a number of points about which you wanted to ask some questions. However, I do not know that this committee can answer your questions. It is really trying to find out things itself, and I doubt if there are any members on the committee who are in a position to answer your questions.

Mr. KINGETT: I think this gentleman said the federal government would not bill the provincial governments for contributions to their employees. While they also said that we will not be civil servants, they still will be paying us; so if an employer share was paid in New Brunswick and this goes in, it means the provincial government would be paying it. I wonder if this gentleman's interpretation would apply.

The CHAIRMAN (*Hon. Mrs. Fergusson*): This is Mr. Osborne, who is the consultant to the Canada pension plan committee. He is very knowledgeable, but I do not know whether he wants to undertake to reply to and clarify all the things you want to know. He may not feel he is in a position to give the answers.

Mr. PRITTIE: Madam Chairman, this came up from the Ontario teachers' brief. The spokesman for the western associations says there is no doubt in their minds. It seems to me there may still be some doubt in the minds of the Ontario teachers. However, I will let it go at that. They will presumably have to consult the provincial government on that.

Mr. GRAY: If I may make a supplementary comment, there will be teachers in Ontario who would not come in the same classification as those who are employed by individual school boards. I refer to those who instruct in the provincial teachers' colleges and who work for training schools run directly by the provincial government. In that case, I think they would be in the same capacity as other civil servants in other fields of work.

Mr. OSBORNE: That is correct.

Mr. PRITTIE: Do you wish to adjourn now, Madam Chairman? It is after 5.45.

The CHAIRMAN (*Hon. Mrs. Fergusson*): What is the wish of the committee. Is it your wish that we should adjourn now and reconvene at eight o'clock?

Mr. FRANCIS: Is that convenient to the delegation?

Mr. PARKER: That would be convenient to us.

The CHAIRMAN (*Hon. Mrs. Fergusson*): The committee stands adjourned and will meet again at eight o'clock in this room. Mr. Cameron will be in the chair.

The committee adjourned to reconvene at 8 p.m.

EVENING SITTING

MONDAY, February 1, 1965.

The CHAIRMAN (*Mr. Cameron*): Order, please. Dr. Nason has informed me the teachers' federation would like to make a statement before we proceed so I am going to ask Dr. Nason or whoever wishes to make the statement to do so at this time.

Dr. GERALD NASON (*Secretary-Treasurer, Canadian Teachers' Federation*): Thank you, Mr. Chairman. My statement really is only an effort to correct what may be a possible misapprehension or a sort of dismay to some members of the committee. I am sure you have observed, ladies and gentlemen, that in certain respects the representations from each of our different regions differ. I would ask the committee not to look upon this in any regard as an indication of weakness. We are a true federation, with all of its attendant problems, problems which I believe, are known to at least some degree by some of you in this room. We have autonomous provincial associations in our federation and they have different policies and situations in which to work, and they have different circumstances among their memberships. Each of the briefs before you which compose and comprise our submission was composed independently. I confess that I have some gratification that there is as much similarity among them as there is. We were hard put to prepare our briefs in the time we had. Quite frankly, we thought the time was all too short and, I am sure, some of you feel it was shorter than what you would have desired when considering the kind of statements which, normally, would represent our best thinking. But, we did

our best to meet the deadline and, naturally, we are offering you what it was possible to do in the limited amount of time that was available to us.

I think the teachers of Canada are conscientious citizens and they approach this committee with what might perhaps be a rather naive attitude. We approach the committee in a sincere effort to bring about improvement in certain features of the plan that we consider are not suitable, first of all, to teachers, because that is our profession, and that is the reason we have for asking to appear before you. Secondly, in some cases, these features also, of course, have implications for the wider range of citizens in the country. And so, Mr. Chairman, I would ask the committee respectfully to remember that these are individual submissions, and yet independence and variety within a unified profession. But, do not be astonished if you find some differences, and even some differences in policy. Thank you, Mr. Chairman.

The CHAIRMAN (*Mr. Cameron*): Thank you very much, Dr. Nason. I am sure that your observations will be of considerable use to the committee. We believe in unity and diversity.

Mr. AIKEN: We also have some of it.

The CHAIRMAN (*Mr. Cameron*): Yes. It would be a poor world if we did not have some diversity.

I understand that Mr. Prittie had not completed questioning when we adjourned. You are the first on the list, Mr. Prittie.

Mr. PRITTIE: Mr. Chairman, I have two more questions. Does the C.T.F. or any of the provincial organizations have any statistics on the number of teachers who retired at age 60 and did not go back to work again except for the odd substitution work? Do they retire at age 60, and do you have any figures in respect of those who take other employment?

Mr. NASON: Could we take these by the different regions in turn. We will commence with the Atlantic region. Have you a comment in this connection, Mr. Jones.

Mr. JONES: Mr. Chairman, I do not know whether or not we have the answers to that question.

Mr. PARKER: Mr. Chairman, I do not think we can give you an answer to that or any statistics in respect of it.

In most of the Atlantic provinces it is possible to retire on full service pension at age 60 but in respect of how many of these people take other employment after they begin to receive their pension benefits we cannot say.

Mr. JONES: I cannot attach an age, Mr. Chairman, but in October, 1963, there were 5,882 teachers in Ontario on pension.

Mr. PARKER: But, you do not know how many of those were doing other work?

Mr. JONES: No. There is a further breakdown in respect of the type of pension which, to a degree, would give some indication of age, but this would not be accurate. This information would have to come from the superannuation commission.

Mr. KNOWLES: What is the minimum age for a full pension in Ontario?

Mr. JONES: It has just recently been changed, but the normal is age 62 after 35 years of service or 40 years of service at any age.

Mr. PRITTIE: Then, that problem which you brought up in respect of people going into retirement a number of years before the Canada pension plan becomes effective still remains?

Mr. JONES: I do not want to stray from the point but this concerns our point (c). Many boards in Ontario have age retirement bylaws which usually

specify 65 for men and 62 for women, and in many cases teachers are required to retire under those bylaws. We are particularly concerned where the age is stated as 62.

Mr. PRITTIE: Thank you. I have one last question, Mr. Chairman.

Mr. PARKER: Before Mr. Prittie proceeds I think the information about Prince Edward Island might be pertinent in respect of an early retirement age. The superannuation act of Prince Edward Island allows a teacher to retire on a full pension at 55 years of age with 30 years of service, and a good many of them take advantage of it.

Mr. ALFRED H. KINGETT (*General Secretary, New Brunswick Teachers' Association*): Our female teachers also retire at age 55 with 35 years of service.

Mr. JONES: I would add also that the pension benefits act in Ontario has brought about changes in our plan, so a teacher with 10 years of service and age 45 may receive a reduced pension at age 55 based on those years of service for a full pension at age 65. For example, if he had 12 years of service he would have a pension at age 65 which would be 24 per cent of the average of the last 10 years. It is 2 per cent per year of service. Contributory service is the simple way of reaching the answer.

Mr. NASON: Mr. Chairman, could I ask if Mr. Gordon wishes to make a comment in respect of the western region.

Mr. GORDON: All the provinces have provisions for early retirement, which is based on length of service and usually in respect of a reduced pension it is an actuarial reduction. As to the number of teachers who would take advantage of this, I am not in a position to say. But, I do not think it would be too large a group.

Mr. PRITTIE: I have one last question which I should have asked earlier. There was some discussion about the calculation of benefits under the Canada pension plan. Mention was made of the 10 best years and so on. Have the various members of the delegation looked at section 51 (1) of the act, of which the marginal note is "calculation of pensionable earnings for a month." Mention is made of three years; how does that relate to the problem presented?

Mr. NASON: Could I ask Mr. Goble to make a preliminary comment in that connection.

Mr. NORMAN M. GOBLE (*Assistant Secretary-Treasurer, Canadian Teachers' Federation*): Mr. Prittie, could I ask for some clarification in respect of your question. I am not clear on the application of this 10 year aspect of it.

Mr. PRITTIE: Well, earlier there was some discussion arising from a point in your brief about the years which should be selected for pension purposes when arriving at the level of pensions under the Canada pension plan. Then there was some discussion as a result of a question by Mr. Cantelon, I believe it was, when mention was made of taking 10 years. Am I correct in this assumption?

Mr. CANTELON: Yes. The question was whether this would affect the drop-out years, for instance, in the five years of receiving education, which would be in respect of students ages 18, 19, 21 and 22 years of age, and then the five years from ages 60 to 65. I thought, and I still think, if the 10 best years were used the drop-out provision would not be too applicable. However, many others do not agree with me in that connection.

Mr. PRITTIE: How does section 51 (1) relate to that problem?

Mr. GOBLE: The point is there are two components in assessing the amount of the eventual pension. One is the average salary to which the pension is to

be related and the other is the means by which you become entitled to part or whole of that average salary. Let us say the basis on which the average salary is calculated may be the average of the whole lifetime earnings or, as in many teachers' plans, an average calculated over 7 or 10 years, but this only gives you a basic figure on which a further calculation is made, and that further calculation is for every year for which you have taught you become entitled to a certain percentage of that figure. The change to a 10 year basis does not alter the difficulty of the overly long qualifying period of 90 per cent of 47 years and would not affect the point about dropout. It would certainly be an advantage in that it would give a higher average earnings figure on which the pension is related in the first place. But, it would not solve the problem of a teacher being able to reach the maximum when it is based on such a long period of service.

The application of section 51 is a further point which, I think Mr. Chairman, with respect, might be taking us too far into the hypothetical.

Mr. JONES: I understand in that regard that the Ontario government's proposal, when it talked of a 20 year period, was that it would entitle one to a full pension. And, taking the question which was asked before adjournment, what happens to a teacher who has 10 years under the Ontario government proposal, I understand that the teacher then would have ten twentieths of one half of the pension that she was entitled to based on the best 10 or the last 10 years of earnings.

Mr. LAVERDIÈRE: Mr. Chairman, first may I express my appreciation of this brief to some of my fellow teachers. it will enable the committee to understand the problems of teachers throughout the country.

May I also say that I am quite pleased that it is the policy of the Canadian Teachers' Federation, as Mr. MacIntosh has stated this afternoon, to use both languages as much as possible. I am sure that all the teachers' federations and associations in the country are of the greatest help in encouraging bilingualism.

I would now like to ask a few questions in French, if possible, and to address them to Miss Duhaime, the president of the Ontario Teachers' Federation.

(Translation)

Miss Duhaime, I would very much like to know whether, generally speaking, the Ontario teachers that you represent are in agreement on principle with Bill C-136.

Miss DUHAIME: Do you mean the teachers in Ontario itself?

Mr. LAVERDIÈRE: Yes.

Miss DUHAIME: They will be in agreement insofar as they know the content.

Mr. LAVERDIÈRE: I believe they have already had an opportunity to study this bill which was introduced in December. Could you indicate to us whether the teachers of Ontario approve the general concept and the bill as presented?

Miss DUHAIME: Up to a point, sir. I must say that we have studied the bill in our own pension fund committee, which is of our opinion. Sooner or later we shall inform our members, after we have an exact idea of it and better understand the content and the context of the bill.

Mr. LAVERDIÈRE: Thank you. Could I also ask—I believe it may be of interest to a fair number of committee members—whether your organization, the Ontario Teachers' Federation, has any fairly close relationship with the CIC, the Corporation des instituteurs catholiques du Québec?

Miss DUHAIME: As far as the CIC and the Pension Plan is concerned, considering that the province of Quebec—I would like my Committee to correct me if I am mistaken—

(*Text*)

I would like the committee to correct me if there is an error in what I say.

(*Translation*)

The province of Quebec opted out of the Pension Plan. So we were not interested in letting them know our opinion on it, considering that they were not covered, the province itself having opted out of the Canada pension plan.

Mr. LAVERDIÈRE: Just the same, Miss Duhaime, has there been any communication between the CIC and your Federation?

Miss DUHAIME: That is a question I can't answer, sir. I would ask one of our members if we have been in communication. We have had no communication whatsoever. Mr. Jones could answer it.

(*Text*)

Mr. JONES: Mr. Chairman, at a recent meeting the representatives of the Provincial Association of Catholic Teachers in Ontario and the Provincial Association of Protestant Teachers in Quebec did sit in on a discussion that we had. They sat in as observers, but of course they had a limited participation. They could have had full participation if they wanted to but they were interested in seeing what the implications of the Canada pension plan would be on our present teachers superannuation plan in Ontario because they felt that the Quebec plan would create similar problems for their present pension plan.

(*Translation*)

Miss DUHAIME: I could perhaps add to what Mr. Jones has just said that with the CIC in Quebec we have had no communication whatsoever.

Mr. LAVERDIÈRE: Would that indicate that the directors of the CIC, the Corporation des instituteurs catholiques du Québec, are wholly uninterested in the pension plan or, as we might more readily say, the retirement plan or the retirement fund in Quebec?

Miss DUHAIME: Are they not under the impression that they have a better system than the federal government?

Mr. LAVERDIÈRE: I shall desist from this line of thought and I am going to ask this, if you will allow me. This may assume a certain importance for the committee, considering the importance of the Quebec retirement fund, which is of interest to a good number of us. Does the present CIC pension system compare advantageously or not with the pension system, for example, of the Ontario Teachers' Federation?

Miss DUHAIME: Perhaps Miss Hodgins could answer that.

(*Text*)

Miss HODGINS: In my understanding—perhaps Doctor Nason can add to this—the plans are not comparable. Our plan in Ontario is a funded plan. As I understand it, the Quebec teachers' plan is not; it is simply under the auspices of the government.

Mr. NASON: If I might add a word through you, Mr. Chairman, to Mr. Laverdière, it should be made clear immediately that the Corporation des Instituteurs et Institutrices Catholiques du Québec is not an affiliate of the Canadian Teachers' Federation. You will notice their absence on the fly leaf of our submission. There have been negotiations, we will continue these and we expect hopefully that we will be able to demonstrate to the country very shortly an example of Canadian unity between the two languages and cultures. Nonetheless, we have continuously provided a liaison with them as professional colleagues on matters of common interest. We have done this on other affairs such as unemployment insurance, the Department of National Defence schools, and

other matters that come to the attention of the federal teachers and which are of concern to the teachers.

With regard to pensions, the intention of the province of Quebec to opt out, as Mademoiselle Duhaine has stated, has been made very clear for some period of time. As a result, our colleagues in the province of Quebec have only had a fringe interest in the matter.

If I may say so, Mr. Chairman, I think it would be inappropriate for us, since we do not officially represent our colleagues in the corporation, to make any comment at all on the adequacy of their plan and the possible impact on their plan of the Canada pension plan as found in Bill No. C-136. However, should the committee wish to have access to an opinion on this matter, I am sure this can be obtained very readily, and we would do everything possible to co-operate on such a matter.

(*Translation*)

Mr. LAVERDIÈRE: Thank you very much for that answer. That very clear reply makes it unnecessary for me to pursue that angle. Only one more point bothers me, that of religious communities. Your brief indicates to us that the religious communities are interested in joining in the pension plan. I would simply like to know, so far as there is any question of it, up to what point the communities have been consulted on what you mentioned in your brief?

(*Text*)

Mrs. HODGINS: I think we should make it very clear that when we speak of the religious teachers we are referring only to the religious teachers who are teaching in the state supported schools in the province of Ontario. We have no information at all in respect of the feelings of other religions in other provinces. We have consulted our own teachers who are members of religious communities, and they have stated they wish to be treated as Canadian citizens and wish to be committed to contribute to the Canada pension plan if it comes into effect, as they contribute to our own Ontario teachers' superannuation plan.

Mr. LAVERDIÈRE: Thank you. In respect of teachers in Ontario who belong to a community and a religious order, are they paid just the same salary as is any other teacher?

Mrs. HODGINS: They may be paid the same salary or they may, as a matter of policy, accept a lower salary. However, they are paid a salary.

Mr. PARKER: May I supplement this by citing the situation in Nova Scotia where we have a good many members of various orders teaching in the public schools. All of these teachers are paid exactly the same salary as any lay teacher, with no exception. They also contribute to our provincial pension plan on the same basis. We would therefore assume that any national plan affecting teachers would apply to them in the same way. Unlike Ontario we did not consult any of our members, for the very obvious reason that we had no time previous to this meeting.

Mr. LAVERDIÈRE: Do these same teachers who have, as you stated, the same salary as all other teachers pay the same income tax as do other teachers in your own province?

Mr. PARKER: That is a question I cannot answer authoritatively.

Mr. LLOYD: Not in Nova Scotia.

Mrs. HODGINS: In Ontario, and I presume in the other provinces, they are exempt under the provisions of the Income Tax Act. That is why we referred to the Income Tax Act in our brief.

Mr. LAVERDIÈRE: In Ontario, are these teachers who belong to religious orders paying some contribution to a kind of pension plan?

Mr. JONES: Yes.

Mrs. HODGINS: They pay exactly the same contribution to our superannuation plan as any other teacher—6 per cent of their salary.

Mr. NASON: The reason for the concern is that these members have been consulted and have expressed their wish to be included in the Canada pension plan. Indeed I understand, although this is not strictly within our sphere of activity, that many of the religious communities to which they belong also wish to be included.

We have sought legal advice, for whatever it may be worth, and the legal advice is that under the wording of Bill No. C-136 they will not be able to be included. We are not competent to suggest what should be done with the wording in question, but merely draw it to the committee's attention so that it perhaps may be referred to your legal experts for examination if you see fit to do so.

Mr. LAVERDIÈRE: Thank you. I do not know whether or not this is pertinent to the work of this committee, but because it is related in some way I would like to know if female teachers and male teachers, perhaps in New Brunswick, Nova Scotia, or Ontario, are paid for competence at the same rate of salary.

Mrs. HODGINS: In the west they are treated the same as any other group of teachers. We would bargain collectively for them; they are paid the same salaries, belong to the same pension plan, and have the same rights and privileges.

Mr. LAVERDIÈRE: In the Atlantic provinces also?

Mr. KINGETT: Yes.

Mr. LAVERDIÈRE: In Ontario is it the same?

Mr. JONES: Yes.

Mr. LAVERDIÈRE: Thank you very much.

Mr. KNOWLES: May I ask a supplementary question of Dr. Nason? Is the legal advice that was obtained based on the reference to these people being persons who have taken vows of perpetual poverty; is it your opinion that this blankets in everybody?

Mr. NASON: I believe, Mr. Chairman, this is related to the section of the Income Tax Act which contains exemption relevant to clergy.

Mr. KNOWLES: I wonder whether the wording we have in the act which you have quoted in the Ontario brief covers all persons in the religious order or only those persons who have taken vows of perpetual poverty?

Mr. NASON: May I ask Mr. Goble to provide some detail on this?

Mr. LLOYD: Before you go into that, while you were proceeding I inquired of Mr. Thorson on this subject, and I think it might be useful to have a brief statement from him.

Mr. D. THORSON (*Assistant Deputy Minister of Justice*): Mr. Chairman, under the provisions of the bill, the only categories that are related to this problem are those excluded from pensionable employment or members of religious orders who have taken vows of perpetual poverty. You will recall that under section 7 (1) (*g*) the governor in council may make regulation for excluding in pensionable employment any exceptable employment other than certain categories of employment that are not relevant to this particular point. That does not tell you an awful lot, except that there is a prima facie exclusion of members of religious orders; but in addition there is power to bring in certain classes of persons who otherwise are named as being in excepted employment.

Mr. NASON: Thank you. I think that is the very point that is before us in this present brief; that is, the request that consideration be given to appropriate regulations.

The CHAIRMAN (*Mr. Cameron*): I think probably that answers your supplementary question, Mr. Knowles.

Mr. LLOYD: Mr. Chairman, I have been interested in the summary of the recommendations. I will choose the Atlantic provinces because I am familiar with the problem there. I think it has general application. I am speaking particularly in respect of page 6, item 4, which I believe Mr. Parker dealt with earlier today; that is the section which is asking that in some way provincial government be permitted to collect or pay in some fashion what is the equivalent of the employer's portion. Is the employee's portion to be deducted, in your recommendation, by the boards of trustees? This item 4 confines itself solely to the employer's portion.

Mr. PARKER: May I make a comment on that?

The CHAIRMAN (*Mr. Cameron*): Yes.

Mr. PARKER: The proposal of the Atlantic provinces asks that the employer's contribution be paid by the provincial government on behalf of the boards. It also could be possible that the employee's contributions be paid by the provinces, any adjustments to be made later; but that it not what we are asking. The request from our area of the country simply has to do with the employer's contributions.

While I am on that, may I make a correction. Instead of section 91, which really has to do with regulations governing benefits, this should be section 41.

Mr. JONES: May I speak to that same point for Ontario? As I explained earlier, in Ontario the employing school boards send to the province the lists of teachers along with their salaries and along with the deductions that should be made for pension purposes. The provincial government then deducts these sums of moneys from the grants which would go to the school boards. They also contribute 6 per cent. That may be this same amount which comes from their funds, and these are transmitted to the superannuation fund.

What we are a bit concerned about is that we feel the act may prevent this administrative, or what seems to be an administrative, simplicity from occurring. We would prefer in order to have money and for a variety of other reasons to have this continued for the Canada pension plan refer to the policy that the provincial government, when they receive a list of the teachers and salaries, in the calculation of the 1.8 per cent would be allowed to deduct this from the grants if necessary and to send one big cheque on to the federal government.

Mr. LLOYD: I follow your explanation, Mr. Parker. In the Atlantic provinces do we not have for certain purposes a similar report of the information which is sent to the provincial board? This is the case throughout all the provinces?

Mr. GORDON: It is in the west, yes, payments are made for each school term.

Mr. LLOYD: Salary information on all teachers is centralized in every province in some way for some purposes. That is basic information from which to make deductions and then subtract from the various forms of grants which are paid to the municipalities. This is a universal set of circumstances which would make this workable.

Mr. GORDON: Yes.

Mr. LLOYD: Earlier today we heard observations and statements during our questioning of witnesses that by removing the $600 floor or exemption we would do much to eliminate the necessity of refunds. But this still leaves the question of the employer's refund, and if you remove the $600 floor. I think it was not generally appreciated, but I wish to make the observation now. So the point

raised by the teachers to a lesser degree is true, but nevertheless it will apply whether or not you were to remove the $600 floor. Thank you.

The CHAIRMAN (*Mr. Cameron*): I have two more names, Mr. Francis and Mr. Aiken.

Mr. FRANCIS: I pass.

Hon. Mr. CROLL: Is the movement of teachers quite as important as you have indicated? It has been a long time since I have been in school, and it was not so active in those days. How important is it, because it goes to the core of the whole question. What is the incidence of it?

Mr. NASON: May we have a quick report from each of the regions? These people are more familiar with the situation in their own provinces.

Mr. PARKER: In the Atlantic provinces we have 20,000 teachers, taking in the four provinces. I would not be able to give you the percentage, but there would be literally thousands who change their jobs from one school-board, or one employing board to another employing board in any given year.

Mr. JONES: In Ontario we could supply an accurate figure on the concentration of population as such, but not the figure on those who may change their employment without moving, especially for example in the case of metropolitan Toronto which would have 25 per cent of all the teachers in Ontario. So our figures might range as high as 30 per cent.

Mr. GORDON: Of the 40,000 teachers in Canada probably 6,000 would change their jobs each year.

Mr. CANTELON: We found a great many going to British Columbia.

Mr. AIKEN: I would like to touch on another subject.

Mr. LLOYD: Before Mr. Aiken goes on may we ask one supplementary on the question of the movement between provinces? Have you any statistics on the movement between provinces in each year?

Mr. GORDON: In our province about 1,000 teachers came from other provinces, and we have lost about 1,000 Manitoba teachers to other provinces. That would not be in a year. That is according to the teaching force now there. It was about 160 last year.

Hon. Mr. DENIS: Suppose a teacher leaves one job and he gets from his actual employer or board a memorandum showing the contributions he has made which he carries to the next board, and then he goes out from there. Would that not correct the situation?

Mr. JONES: Yes, I think it would. I think that that is the point that Ontario makes on page 4 in between the two green pages, that this would correct the problem. But if deductions were made on his initial earnings starting in September for one board, or starting again in January for another board, this would create administrative problems.

Hon. Mr. DENIS: This adjustment could be made just the same.

Mr. JONES: We would hope so.

Mr. PARKER: This could be taken care of very easily by provincial governments. Any adjustments between respective boards could very simply be made by provincial governments when they pass the grants.

Hon. Mr. DENIS: Why could it not be done by the boards?

Mr. PARKER: Administratively it would be more accurate if done by the provincial government rather than by anywhere from 70 to 100 to 150, or how many boards you might have.

Mr. CANTELON: That is not my understanding of the act. I understood that the employer must deduct willy-nilly. Perhaps we might ask Mr. Thorson to comment on the question.

The CHAIRMAN (*Mr. Cameron*): I do not think that is a question to ask Mr. Thorson to answer. It is a legal problem. What is in the back of my mind is the idea suggested by Senator Denis and others here that you could carry a memorandum from one schoolboard to another, and they could honour it. But would it be strictly within the act? That is why I do not want Mr. Thorson to answer the question.

Mr. NASON: May I make a supplementary statement, if there is such a thing?

The CHAIRMAN (*Mr. Cameron*): There seems to be quite a few of them.

Mr. NASON: I thought I would try it. We have had supplementary questions and I thought that I would try a supplementary statement. I thought that our colleagues in the Canadian Schools Trustees Association with whom we have discussed this matter at great lengths would not think that I was saying anything unfair if I told you frankly we feel that part of the problem may well be that in some parts of the country some schoolboards are not particularly sophisticated. I will leave the statement at that point.

I think this creates part of our concern. The bearing of complicated records from one board to another adds an extra burden on those who already find themselves burdened with records which are quite enough for them to handle at the moment. The suggestion that has been made spontaneously and to me interestingly in these various regions is that some provision be made, but we do not know how this could be done. You are the people who will know.

For the provincial government to make the contribution on behalf of the employing board might very well, if it were carefully designed, overcome this very problem of teacher mobility and of deductions on a first earnings basis. If my memory serves me correctly, this is not implicit in Bill No. C-136, but rather in statements made before this committee by a representative of the Department of National Revenue, who could show how the thing could be done.

The province would have the salary figures, and the province could make the deductions so that for any one year there might be just one set of deductions made, if it were made on behalf of all employers during that year. This is just a possibility and I thought I might introduce it to you. Perhaps it would further the suggestion made by various of our regions that the provincial government be empowered to make the employer's contribution on behalf of the employing board.

The CHAIRMAN (*Mr. Cameron*): Perhaps Mr. Thorson might give us an answer. Could an agreement be made with the provinces to do that?

Mr. THORSON: You mean by the provincial governments?

The CHAIRMAN (*Mr. Cameron*): To make payments on behalf of schoolboards.

Mr. THORSON: I do not think it would solve the problem because the obligation rests on the person who stands in the position of the employer. It is not really relevant who pays the employer's contribution. What is relevant is who is the employer. It is that person on whom the obligation to deduct and withhold falls.

The CHAIRMAN (*Mr. Cameron*): Thank you.

Mr. CÔTÉ (*Longueuil*): I think I should add that in the province of Quebec that problem has been solved because there is only one pension plan for all the teachers in the province and they all contribute to the same fund. They can move to any board they want.

Mr. NASON: This is true in every province, but the problem here is that the added feature has been introduced that the employer must make the deduction, and the employer of the teacher is the employing board. By and large, the employing boards have never had anything to do with pensions; they have no set-up for handling them. Furthermore, they incur the difficulties that have been cited in other submissions to this committee where people change employers within a year.

If I may comment on Mr. Thorson's point, if I understand him correctly, he is saying that under Bill No. C-136 what we are suggesting is not possible. It is because we thought that was the case that we brought the situation to the attention of the committee in the hope that they would make it possible by adjusting Bill No. C-136.

Mr. LLOYD: The record is pretty well straight now.

Hon. Mr. LEFRANÇOIS: I left Quebec for one year to go to teach in St. Boniface.

The CHAIRMAN (*Mr. Cameron*): Is this supplementary to what we are discussing?

Hon. Mr. LEFRANÇOIS: Yes; it is supplementary to a question that was asked a few minutes ago.

Could the witness tell the committee how many teachers from Quebec go out each year to some of the other provinces to teach—to Ontario or to the maritime provinces?

Mr. NASON: I think it would be impossible to say without consulting the records of the dominion bureau of statistics, Mr. Chairman.

Mr. AIKEN: Mr. Chairman, I want to touch on another subject.

By way of introduction, I would like to say that the first people who approached me in connection with a pension plan, and the people who have been most persistent in their approaches, have been the teachers. They have been concerned about a subject which does not seem to have been touched upon in the brief, and that is the question of integration with existing plans.

This seems to me to have been the most serious concern of many of the teachers who have spoken to me about this. They have been concerned about the possibility that the existing plans might be interfered with by the Canada pension plan. I would like to ask whether this problem has been solved or whether there is still some concern about the question of integration.

Mr. JONES: Mr. Chairman, in Ontario this has been of great concern to us for some time. I think one of the things the committee here does not have to understand, because it is concerned with the Canada pension plan rather than with our problems of integration, is that in Ontario the teachers' superannuation act was established in 1917. I am not sure how they were able to receive such a benefit so early in the course of events. It was some 27 years later before they were able to get a teachers profession act. However, the thing has been so well established for so long that it immediately creates fears when something new crops up.

We, of course, are waiting for the final Canada pension act so that we can get down to business with the Ontario government to discuss these integration problems with them.

Mr. AIKEN: Mr. Chairman, I think this is the answer. In fact, the committee has been informed many times that the plan does not make any provision for integration at all. The reason I raised this was that it has been a concern of so many of the teachers.

Do I understand that you intend to solve this problem by negotiation?

Mr. JONES: In Ontario we have made a preliminary report. We did engage an actuary early last spring to help us with this question of integration. The

provincial government, of course, is not in a position to discuss it with us until they know the final form of the bill.

Just last week the minister of education in Ontario suggested that we should get together fairly soon, and we would hope that he will carry through with this initial response and that we will be able to participate in the discussions on integration.

Mr. NASON: Mr. Chairman, may I add to that? I think it is fair to say that while the teachers—as with all other employees, and indeed employers—are not exactly looking forward with keen anticipation to the problems that will be raised by being faced with integration. We are prepared to accept those and to work them out mathematically because it has been pointed out very clearly and fairly that the Canada pension plan will have nothing to do with the way in which the private plans are integrated. So our calculations are all our very own. This would bring us some comfort, however, except for a point which has been raised in the Atlantic regional brief regarding a worry about the extent to which our present say in the pensions that we have will continue.

I think perhaps Mr. Parker could best speak to that if you would permit it.

Mr. PARKER: We have it in substance on page 2. It is very simply this: At the present time we have negotiated with our government for benefits which we will receive in return for 6 per cent of our salary. Over a period of years, all provinces have succeeded in getting a high degree of co-operation in negotiations with their respective governments. The problem we now face is that with integration, if we are to continue to pay no more than our present 6 per cent, and if part of what has been our 6 per cent now goes to another plan, the Canada pension plan, we will be left with a correspondingly small amount over which we can negotiate as far as future benefits are concerned, or any change in future contributions. We will be left, more specifically, with only a 4.2 per cent area of contributions and corresponding benefits on which to negotiate. This is our concern. It is not so much a concern at the present time but—and we all expect this—if and when contributions to the federal plan increase from 1.8 on up, as the actuaries say they will, this will leave a smaller and smaller area for negotiations for respective teachers' organizations.

Mr. CANTELON: May I ask a supplementary question?

I was doing a little figuring for my own satisfaction. In Saskatchewan it would mean that for that 1.8 the province would have to contribute roughly $675,000 each year to the Canada pension plan. This would be more, if my memory serves me correctly, than they now contribute to match the full 6 per cent of the teachers, since the plan is not a funded plan. I am afraid the government of Saskatchewan is not going to look with much favour on contributing that amount of money for just 1.8 per cent.

Mr. JONES: This is a problem we face in Ontario particularly where the teachers request their leaders to negotiate a decking system whereby they put the Canada pension plan on top of our present pension plan. The committee may be aware that under the present pensions benefits act the government is required to pay the interest on the deficit where the actuarial plan exists, and this interest will be in the order of about $14 million per year. The provincial contribution to the Canada pension plan, if it were decked also, would be in the order of $3 million to $4 million. At the present time, the government contributes approximately $19 million and the teachers contribute approximately $19 million. If you add the $14 million plus the $4 million to the $19 million the government is presently contributing, you will see that you have a provincial political problem.

Mr. GORDON: We are more optimistic out west, I guess. We think we can integrate the Canada pension plan to provide a better over-all pension for our members; and certainly this is our objective. We do not plan to have a pension

plan which is inferior to the one we have now. We think through integration—and, this is a local matter—that has to be worked out through negotiations so we can provide a better over-all pension.

Mr. KNOWLES: That is the way to speak of the province of Manitoba.

Mr. AIKEN: In summary, I take it that the answer from all the regions is that they are quite satisfied with the fact that there is no integration in the plan and they are satisfied it can be negotiated to integrate with the existing plan.

Mr. GORDON: We would hope so.

Mr. NASON: I think, Mr. Chairman, in the interest of accuracy, we would have to agree our people are satisfied that they can work out an equitable arrangement for combining or decking, as may be appropriate to their provinces, the two plans. I think we must not lose sight of the fact that at least in some of our organizations there is a concern in the future, in view of the predicted increase in contributions, that the integrated portion of the Canada pension plan contributions will represent a growing proportion of the integrated plan, and the Canadian pension plan area will be an area which does not come within the negotiable procedures that have long been established.

Mr. PRITTIE: That is why you asked for a representation on the advisory committee, among other reasons?

Mr. NASON: Yes.

Hon. Mr. CROLL: I gather what will happen is that you will have to be rather stiff regionally, and that you lay down some principles which could apply later on.

Mr. NASON: But, Mr. Chairman, I think our people are confident that they can work out a good arrangement with the governments, with whom they have co-operated. This is not their concern, but an increasing portion of their pension is going to be removed from the area of arrangement between themselves and their provincial governments and this is going to be decided at the federal level. In this way they will not have direct access to changes and discussions in that connection unless, of course, some of the other recommendations are accepted.

Mr. GRAY: Dr. Nason, you are appearing here in the capacity of a full time officer of the national federation and surely you will have in the future, as you have now, access as such to any arm of government to whom you wish to make representation. I think your suggestion in respect of representation on the advisory committee is very sound. Even if that does not take place you and your associates, as spokesmen for the C.T.F., will be able to make representations to cabinet or to individual members and so on, and you will be able to take part in negotiations arising out of these representations to the fullest extent of any other national group.

Mr. NASON: Yes, and I would like to tell the committee at this time that we look forward to continued opportunities to present our points of view to all levels of the federal government. But, you see, at the moment teachers' pensions are decided provincially, and if I may say so, they are tailored provincially, and the adjustments, henceforth, in the portion representative of the integrated plan which is represented by the Canada pension plan will only be able to be made at the federal level, and this applies to all. It will be removed from the area of provincial jurisdiction and negotiation.

Mr. GRAY: But, is it not also a fact in respect of your dealings with the province that your dealings are really only in the form of discussion or negotiation and that you do not have a voice in the sense of a vote, so to speak?

Mr. PRITTIE: It is really bargaining, is it not?

Mr. LLOYD: At this point I would like Mr. Parker, for my benefit, to tell us whether or not pension benefits and pension rates as well as the question of sharing is the subject of negotiation under your acts in the province of Nova Scotia?

Mr. PARKER: There is no legal provision for negotiations. What we said earlier was that over a period of years we have been able to establish a very sound working relationship with our respective governments. We request changes and they are given very serious consideration.

Mr. GRAY: What is the situation in the province of Ontario? Is there any legal obligation there?

Mr. JONES: In respect of the province of Ontario any changes are usually discussed with the executive of the Ontario Teachers' Federation, and the executive having made its views known to the minister he then proceeds with his legislation. The teachers may or may not be in agreement with the legislation that comes forward; but, they have had a chance to talk to him about it.

Mr. KNOWLES: Do you have a member on any advisory board?

Mr. JONES: We have members on the commission but the commission—and I stand to be corrected—administers the plan.

Hon. Mr. CROLL: Would I be right in assuming from what you have said that the pension plan in the areas vary and that there are some better than others?

Mr. JONES: Yes, Mr. Chairman.

Hon. Mr. CROLL: The answer to that is yes?

Mr. JONES: Yes.

Hon. Mr. CROLL: Then is there some hope that there may be a more unified basis as a result of integrating these plans?

Mr. PARKER: With the Canada pension plan?

Hon. Mr. CROLL: Yes.

Mr. PARKER: No, I would say that would have no effect on it except that it will bring about one feature which we have all wanted and which only three provinces presently have, and that is some measure of portability.

Mr. GRAY: Will you expand on that. I intended to ask you a question in respect of that later on. Specifically, what is the situation if a teacher wants to leave the province of Nova Scotia and come to the province of Ontario to teach? What happens to the superannuation benefits in Nova Scotia?

Mr. PARKER: I will speak very generally, sir. There are only three provinces which have any arrangement in respect of portability; these are British Columbia, Alberta and Ontario. I believe Saskatchewan has permissive legislation. Nova Scotia has permissive legislation. We are working at the present time to try to establish portability within the Atlantic area. Now, for the details I would refer you to the province of Ontario in respect of British Columbia, Alberta, Ontario and, as I am told, most recently Saskatchewan.

Mr. JONES: It is not exactly portability; it is a reciprocal arrangement. There are certain regulations that apply; a teacher has to be in one jurisdiction and in another jurisdiction for certain lengths of time. But, the province of Ontario has a reciprocal arrangement with England and Wales as well as with the provinces of British Columbia, Alberta and Saskatchewan. I understand that the province of Manitoba is on the list for this year. The Ontario superannuation commission has been actively engaged in this and they have brought about these reciprocal arrangements. But, it is not true portability.

Mr. GRAY: So, if this plan comes into effect it may be very helpful to those members of the teaching profession who wish to seek opportunities in any part of Canada.

Mr. JONES: As far as the Canada pension portion is concerned, yes, but as far as the provincial portions are concerned, no.

Mr. PRITTIE: Mr. Gray should know there are other obstacles in respect of moving from one province to another to take up teaching.

Mr. NASON: We should add that the Ontario pension plan portion remains portable.

The CHAIRMAN (*Mr. Cameron*): Have you a question, Mr. Francis?

Mr. FRANCIS: I would like to put one question in respect of the advisory board. I note from the recommendations that the teachers' federation would like to be represented on the advisory board, and I would like to ask do you think the advisory board should be set up on an occupational basis. Should this be the basis on which we establish an advisory board and, if so, how many professions should we consider for membership on the board?

Mr. PARKER: I knew someone would ask that question. We assume that in setting up an advisory board you will not neglect organized labour, for example, and I hope you do not neglect the teaching force, which is organized in quite a different way from the other professions. Finally, I hope you would consider us on the advisory committee because in coming into the Canada pension plan, if we integrate, we lose, as Dr. Nason has said, a certain area which previously we had for negotiations, and the only way to compensate might be to have some voice at the federal level.

Mr. FRANCIS: I have a great deal of sympathy with this but I think the teachers' federation must realize there are practical limitations in the number of groups which can be represented on this board.

Mr. NASON: May I add that it was only after a great deal of discussion—and I can assure you of this because I was president—that it was decided to include this because I think these briefs bear witness to the fact that the teachers are indeed reluctant to ask for privileges that would not be equally available to others in the same situation. And, this is precisely the point; surely when the federal government is about to set up this advisory committee it will not consider vocations so much as pension situations. We may be very wrong but we think it is for the committee and the government to decide. But, after thinking the matter over we came to the conclusion, rightly or wrongly, that we were indeed in a rather unique pension situation, and if this is so then this would justify our requesting a seat on the advisory committee.

Hon. Mr. DENIS: Anyway, you have nothing to lose.

The CHAIRMAN (*Mr. Cameron*): On that happy note may we conclude. Has anyone else any further questions?

Mr. BASFORD: Mr. Chairman, I hope that Dr. Nason's delegation, with only one member from western Canada, does not represent the view of the Canadian Teachers' Federation in respect of Canadian geography, and I hope there is no misapprehension in respect of the western region.

Mr. KNOWLES: There is one member from Manitoba.

Mr. NASON: For some reason unknown to me, and perhaps it is the wind that blows over the prairies, I find it is possible to become easily united on many of these matters.

The CHAIRMAN (*Mr. Cameron*): Nothing remains then, Doctor Nason, but for me to express on behalf of the committee our thanks to you and to the members of your delegation from the Canadian Teachers' Federation and its affiliates for the brief that you have presented which, by the way, will be

included in full in our minutes, and for the presentation that you have made as well as the manner in which you have submitted yourself and answered our questions.

Mr. FRANCIS: I would like to move that a vote of appreciation for the delegation and for their efforts be included in the minutes.

The CHAIRMAN (*Mr. Cameron*): It is moved by Mr. Francis and seconded by Mr. Laverdière that we move a vote of thanks to Doctor Nason and the delegation for their presentation here tonight. All those in favour?

Motion agreed to.

Mr. NASON: May we thank the committee for hearing us at the end of a very arduous day. We appreciate the very serious consideration that has been given to our brief. We understand that some of the points and questions that were raised in our brief perhaps did not lend themselves to full discussion at this time, but we would commend them to the consideration of the committee when it comes back to look over the many submissions that have been made in these quarters.

The CHAIRMAN (*Mr. Cameron*): I call the committee to order. We now have the delegates from the Canadian Construction Association before us. Mr. P. D. Dalton from Toronto is the national vice-president of the association. He will introduce the other members of the delegation. Mr. A. Trottier of Quebec, the national vice-president, unfortunately had to go back to Quebec so he is not here.

Mr. Dalton, would you mind introducing your delegation?

Mr. P. D. DALTON (*National Vice-President, Canadian Construction Association*): Mr. Chairman and members of the joint committee, the Canadian Construction Association is appreciative of having the opportunity of appearing before you and presenting our brief and answering any questions that you will see fit to direct to us.

As the Chairman said, we are sorry that our leader, Mr. Armand Trottier had to return to Quebec and is not with us, but I will introduce the other members of our delegation. Beside me is Mr. Peter Stevens who is director of labour relations. Next to Mr. Stevens is Mr. Stafford, the representative of one of the largest subcontractors in Canada and also chairman of our labour relations committee. Next to Mr. Stafford is Mr. Desmarais from Montreal. Mr. Desmarais is well versed in pensions having been recently connected with the pension plan covering some 60,000 construction workers in Montreal. Next to Mr. Desmarais is Mr. Chutter, general manager of the Canadian Construction Association in Ottawa.

Mr. Chairman, our brief has been reviewed widely by our affiliates and it is believed to represent the main points of concern to our industry. Indeed, we have restricted our comments and recommendations entirely to construction issues. Copies of our brief have been distributed both in English and French, but it is so brief that we propose to read it, if the procedure is agreeable to you, sir. This, we think, will be a time saving process. There are only six pages of this brief, and, with your permission, Mr. Chairman, we will read it.

The CHAIRMAN (*Mr. Cameron*): I think the committee will agree to that.

Mr. DALTON: Mr. Chairman, our industry operates in all sections of the nation and all parts of our vast country. In 1964 the value of construction put in place will likely have reached $8.6 billion and estimates for 1965 indicate a volume well in excess of $9 billion. This activity provides on site jobs for a year round equivalent of about 600,000 Canadians and for an even larger number off site.

On site employment conditions in our industry have often been described as unique by industrial relations specialists inasmuch as they are normally governed by the rare combination of these three factors:

(a) Constant employee mobility from one employer to another,

(b) Constant employee mobility between locations of work sites—often many miles apart, and

(c) Traditional organization of employees on craft lines rather than on an industry basis.

These circumstances thus create some unusual requirements in any pension plan to be applied to our industry.

Mr. Chairman, you will notice that our submission takes a positive approach to Bill No. C-136, and only deals with those aspects of the proposed plan which are of direct concern to the construction employees. These I have already mentioned to you. Are there any questions which the committee members might like to direct to us?

The CHAIRMAN (*Mr. Cameron*): It would be a good idea if you read the summary of your recommendations which is a summary of what has gone on before.

Mr. DALTON: The summary of recommendations is as follows:

(a) Retention of Canada-wide portability feature of any contributory pension plans,

(b) Provision for automatic annual refunds to both employees and employers of any overpayments by them, and elimination of the annual basic exemption,

(c) Offer of an option to "contract out" to existing portable, contributory pension plans, and preferably also to all employer-employee units, able to obtain equivalent benefits at lesser cost. Elimination of indexing features and extension of the transition period to twenty years to make this feasible, and

(d) Earliest possible public clarification regarding the integration of certain benefits already being provided under existing compulsory government operated plans such as Workmen's Compensation Acts.

Mr. Chairman, with your permission, Mr. Desmarais would like to add something to that in French.

(*Translation*)

Mr. DESMARAIS (*Member, Labour Relations Committee, Canadian Construction Association*): I will read section 4:

> The Canadian Construction Association gives it fullest support to freedom of enterprise. In consequence, it believes that in all those instances where employees are already covered by existing contributory portable pension plans offering equivalent benefits, an opportunity should be provided to offer these employees and employers an option between participation in a governmental portable contributory pension plan and the continuance of the existing plan to avoid the possibility of being faced with total pension contribution payments in excess of that required in the proposed legislation. Such an option would clearly be guided by which plan offered the better protection. It would, moreover, likely avoid many of the difficult integration problems facing existing plans. This point is raised because our industry already operates a few portable, but very sizeable contributory pension plans which should be given the choice to "Contract out". This change would become feasible if the indexing features were eliminated and the transition period extended over 20 years.

Better still, perhaps, such a choice might be granted generally, as is the case in the United Kingdom under its plan. In this manner, truly competitive conditions would be created for the benefit of the general public and the maximum administrative efficiency of all plans would best be assured.

(*Text*)

That is about all I have to say.

The CHAIRMAN (*Mr. Cameron*): Thank you. Does Mr. Dalton wish to say something?

Mr. DALTON: I do not think so, Mr. Chairman.

Mr. LLOYD: Mr. Chairman, I am interested in the summary of recommendations, page 6, item (*b*) in the last part. The association advocates the elimination of the annual basic exemption. I presume, in recommending this, you do not suggest we reduce the upper limit from $5,000 to $4,400. Should the $5,000 still remain?

Mr. DALTON: I will ask Mr. Stevens to reply.

Mr. P. STEVENS (*Director of Labour Relations, Canadian Construction Association*): Mr. Chairman and Mr. Lloyd, our point is merely one concerning the elimination of the $600 basic exemption as stated in our brief. Nowhere in our brief have we opposed the $5,000 limit as such. I think this might be the opportunity, Mr. Chairman, to enlarge on the extreme mobility of the construction labour force, not only from place to place, but from one employer to another employer, which continuously carries on throughout the year in our industry as a regular condition of employment. This is a specific problem. You already have heard about the mobility of teachers; they might move once a year. Our people might work for as many as half a dozen employers in the course of a year, and perhaps even more. Who is to figure out the basic exemption at the beginning of the year when you have half a million construction workers who might work one place for six days, or for a shorter period, and then be somewhere else in winter months, and then be cut off because of inclement weather and that type of thing.

Mr. LLOYD: It has been recommended to us by others that the $600 exemption be eliminated, and presumably it would eliminate some administrative problems in respect of refunds to some degree with regard to those whose salaries are less than $5,000; for those over $5,000 you would still have problems. I think also you must have appreciated, as employers, that this will cost you some more money, because if you keep it at $5,000 and you include now $600 more of earnings it would cost you, as your employer's contribution 1.8 per cent for every person who would enjoy such an exemption. You are aware of that and despite that you would still prefer the $600 be eliminated?

Mr. STEVENS: Yes. You will note in our brief, in the summary, item (*b*), that it is tied in with the provision for automatic refunds to both employees and employers. If you look at pages 2, 3 and 4 of this brief you will find we are unhappy about the fact that employers in our industry, with this extreme mobility, will be overpaying considerably in the course of a year for an individual who exceeds $5,000 annual income limit, and there will be very considerable numbers of these. We have statistics from the dominion bureau of statistics showing that a considerable proportion of the construction labour force in the course of a year earns in excess of that amount. We feel this will more than compensate for the elimination of the $600 limit.

Mr. LLOYD: I am glad to hear you say this. However, because this is such a complex matter, I led you into an answer, not to catch you or anything like that, but to make sure you had fully appreciated the fact that there would be additional cost to you if we keep the limit at $5,000 and remove the $600 floor.

Mr. STEVENS: With the excess payments we will be making, and with refunds to employers, we will be compensated in our particular situation.

Mr. LLOYD: You see quite readily the difficulty the government is in in respect of refunds to employers as distinct from employees because you have a large number of people moving from job to job and numerous employers in the course of a year. As you say, in so far as the construction industry is concerned, this kind of answer seems to be the only solution.

Mr. STEVENS: Our recommendation in respect of elimination of the $600 basic limit is tied in, as it is in the brief, with the elimination of the non-availability of refunds to employers.

Mr. LLOYD: Thank you.

(Translation)

Mr. CÔTÉ (*Longueuil*): You say on page 2, paragraph 2, on the matter of national portability:

> The Canadian Construction Association considers that complete portability, from one end of the country to the other, is an essential feature of any contributory pension plan set up by the federal government or by any other body.

What do you understand by any other body?

Mr. DESMARAIS: You have, for example, sailors who move around fairly often. Can you follow me now?

Mr. CÔTÉ (*Longueuil*): I understand you, but it is the interpreters who do not understand.

Mr. DESMARAIS: Seafarers and those who work in ports change jobs fairly often.

Mr. CÔTÉ (*Longueuil*): Those are not pension plans on the government's scale, they are private plans.

Mr. DESMARAIS: Actually they are private plans.

Mr. CÔTÉ (*Longueuil*): What do you believe the federal government can do as regards portability of private pension plans?

Mr. DESMARAIS: Mr. Stevens will answer your question.

(Text)

Mr. STEVENS: Mr. Chairman and gentlemen, the mobility of the construction labour force has become such that—and this might interest Mr. Basford—construction workers from Vancouver, during the recessional periods in 1961 and 1962, went as far afield as Sudbury, Ontario, in order to find work. From our point of view there is a constant flow of labour at the moment between Alberta and British Columbia. This interprovincial countrywide portability is of the utmost importance to the construction industry and construction employers.

Mr. CÔTÉ (*Longueuil*): We understand it is a good thing; but it is a matter of provincial legislation, I think, to make the portability of the private pension plan. I do not think the federal authorities can do anything about it.

Mr. STEVENS: But here in the last sentence we say we hope "it will be possible for this important feature of the plan to be retained as an esential one", because even Quebec provincial workers have for long periods found themselves in Newfoundland and Labrador on construction projects of several years duration, in the iron mine development, and so on.

Mr. CÔTÉ (*Longueuil*): It is already certain that people from Quebec or from any other province in Canada, even if they have their own plan in the province, still are going to have to have portability.

Mr. STEVENS: I think you will recall that the C.M.A. made a similar recommendation to us in our industry namely that this must be retained.

Mr. CÔTÉ (*Longueuil*): So far as private pension plans are concerned, are you going to make any representations to the different provinces to see whether they will pass legislation to make the private pension plans portable?

Mr. STEVENS: That would be a matter for the various provincial organizations and federations of construction employers, since the provinces are concerned.

Hon. Mr. CROLL: Recently in Ontario they held a meeting with half a dozen provinces for the purpose of doing exactly that; they have had some consultations on it.

Mr. STEVENS: We are not aware of any such discussions.

Hon. Mr. DENIS: What would happen if one of your employees changed his employment to an employer who has no private pension plan at all?

Mr. STEVENS: Which section of the brief is the senator speaking about?

Hon. Mr. CROLL: You are talking about opting out of the Canada pension plan.

Mr. STEVENS: The reason we have included this item is that our industry, I think, is proud of the fact that it has been more progressive in this regard probably than any other industry.

We have had a contributory portable pension plan for the entire region of Montreal and Quebec City for the construction industry, and also with portability between Quebec City and Montreal.

Hon. Mr. DENIS: There is nothing in the present bill which forbids you keeping these portable pensions. You can go on having your portable pensions.

Mr. STEVENS: Yes, but with a plan which meets almost all the conditions as they exist now, either a Quebec provincial plan or a federal pension plan should not be superimposed on it. You will note in that situation that integration will become more difficult in one way and also more unnecessary in another way, because from the worker's point of view you will get to the point in our situation where the worker will be putting more out of his pay package each week into pensions than he himself would want to see.

Mr. CÔTÉ (*Longueuil*): Suppose an employee works for one of the firms which belongs to your association which has a pension plan which is portable between different provinces, and he wants to change his trade or to go into another job because he is out of work in your trade and he does not have the Canada pension plan. He will surely lose out under the plan that he has, under your pension plan.

Mr. STEVENS: His benefits will stay to his credit even if he leaves the construction industry to go into another industry; those credits will remain with him until he qualifies for his pension.

Hon. Mr. DENIS: But it would not increase; it would stop.

Mr. STEVENS: No, but he would come under the Canada pension plan.

Mr. GRAY: If your suggestion was adopted—and I appreciate the constructive spirit in which you have presented this brief to us—and if that happened, would not the employee who would now be under the Canada pension plan be prejudiced in various ways because he would not have an earnings record under the Canada pension plan for the period in which he is contributing to one of your industry's plan?

Mr. STEVENS: I think this feature is protected in other countries such as the United Kingdom. I do not think the problem is one which cannot be overcome, because it is overcome over there, and as I have said before, the credits

that he had in the construction industry plan would remain to his credit until he became of pensionable age, and the records would be available to any government.

Mr. GRAY: I understand that in the United Kingdom most of the employees who are under the pension plan for which they have been opting out are employees of various types of state authorities or municipalities, or are various types of civil servants.

Mr. STEVENS: Some of them undoubtedly are.

Mr. BASFORD: The evidence we have had is that the overwelming majority are in the case of state agencies.

The CHAIRMAN (*Mr. Cameron*): Does that conclude the supplementaries?

Mr. AIKEN: I presume that the portability to which you refer in your brief concerns mainly the portability of the Canada pension plan. Now are you satisfied at the moment with the degree of portability between the Canada pension plan and the Quebec pension plan?

Mr. STEVENS: We have seen the third version of the Canada pension plan and now we are still not certain what the final document will be, and we have not yet seen the Quebec bill. So I do not think we are in a position to comment on that at this time.

Mr. AIKEN: Would you suggest that further efforts be made to bring Quebec into this plan to make it fit the portability requirements across the country?

Mr. STEVENS: I think we maintain the position as outlined on page 2, paragraph 2.

Mr. KNOWLES: You will be interested to be made aware that Ontario is going to stay in.

Mr. BASFORD: Recognizing that you have not seen the Quebec bill, and that we have not seen it either, and assuming that Quebec is going to stay out, you are satisfied with Bill No. C-136 and with its provisions for portability between two different provinces and the rest of Canada.

Mr. STEVENS: We are very happy to see it. We wholeheartedly support it and we want you to make sure that it is maintained.

Mr. FRANCIS: I want to ask the delegation a question on page 6, recommendation 6(*c*), regarding the "offer of an option to 'contract out' to existing portable, contributory pension plans, and preferably also to all employer-employee units, able to obtain equivalent benefits at lesser cost."

I have a rather keen recollection of some vigorous representations made by the insurance industry who complained about the windfall features of our plan and so on; and this remark as I read it suggests that some private plans can offer better pensions dollar for dollar than the Canada pension plan. As an association do you mean this? Do you really believe that there are private plans which are offering more for the dollar than the Canada pension plan is offering? I am very serious in my question.

Mr. STEVENS: Mr. Chairman, this is tied in with the second sentence which Mr. Francis did not read.

Mr. FRANCIS: I did not intend to distort it.

Mr. STEVENS: I realize that, but one is tied in with the other. Perhaps I might cite an example. The staff at the Construction House of this Association happens to be a very young staff in average pension age, and it is a small group; and for similar small groups of very young age I think the situation can be created. Let us take the electronic industry where you have a lot of young people in a new industry, newly trained just out of school or university,

and you could have smaller units where you might have very young people of average age in a particular group.

Mr. FRANCIS: Have you had actuarial advice to this effect?

Mr. STEVENS: Yes, we have had actuarial advice on the basis that this is not completely unralistic.

Mr. FRANCIS: It surprises me, and I would like to think that the delegation would probably have checked this before making such a statement.

Mr. KNOWLES: Did Mr. Francis read the other sentence? If it is taken out of context can the benefit of the Canada pension plan be reduced by it?

Mr. FRANCIS: I am trying to make the point of it a possibility. In effect you say that indexing features should be abolished and a long transition period retained. I appreciate that this plan has been subject to a number of federal-provincial conferences. The province of Ontario said that it has participated in six federal-provincial conferences in discussing this matter. So it does raise some fundamental questions in terms of the plan. My question to you is this: Are you very serious about this contracting out feature? Do you think it is possible without a changed situation?

Mr. STEVENS: We have had actuarial advice in this matter, as I stated, and the advice was on the basis of these changes to the basic concepts of the plan. The main reason for our inclusion of this item in our brief is the existence of the fact that our industry, as I have already stated does offer the closest plan in existence of privately negotiated plans covering tens of thousands of construction workers, something like 75,000 construction workers already with more features in it similar to Bill No. C-136, than any other existing negotiated plan.

Mr. FRANCIS: Do you contend that a plan with a very large membership like this can still give better value dollar for dollar than the Canada pension plan? Surely when you grow to a large membership, the advantages of age which you describe will not hold, because the larger the membership the closer to average you will become. Is it still your contention that there are plans with large and significant membership which offer better value dollar for dollar?

Mr. STEVENS: Our actuarial advice was that better features are provided when the period is spread to 20 years, yes.

Mr. FRANCIS: We cannot have everything. If we must make a choice would you not go along with this position of the Canada pension plan that develops private escalation and complete portability, even though it is not consistent with contracting out?

Mr. STEVENS: We would have to consider our position when we know what the findings and recommendations of this committee are.

Mr. FRANCIS: Thank you.

Mr. BASFORD: I take it from your brief that approximately one eight of your employees are within some private pension plan.

Mr. STEVENS: That is what it really amounts to at the moment, yes.

Mr. BASFORD: Where are they located? Because in my experience in British Columbia I do not know anybody in the construction business on a pension.

Mr. STEVENS: In British Columbia I think at least two trades in the negotiations of last spring have agreed on the establishment of a pension plan. But whenever one does this in the course of negotiations, as I am sure certainly Mr. Knowles will be aware, it takes time to get the necessary actuarial advice and actually establish the plan. In the course of negotiations at least two trades

did negotiate for pensions last spring in Vancouver. These will be implemented once the details of the plan itself have been finally worked out and agreed to.

Mr. BASFORD: So, if I understand your position correctly, on behalf of one eight of your employees you are asking what is really a very fundamental change in the plan. Is that right?

Mr. STEVENS: Yes, but it is a plan, as we have already stated, which is closer to Bill No. C-136 than any other plan we know of or of which the insurance industry can tell us; it is known and has operated successfully for several years in Canada right now.

Mr. BASFORD: How would you deal with people who—and I believe this has been answered but I did not quite understand your answer—come in and out of the construction industry, which I think is quite a common experience in that business.

Mr. STEVENS: The answer given, Mr. Chairman, was that any pension credit benefits that may have accrued stay with them, and once they reach pensionable age they will be qualified to draw that pension.

Mr. BASFORD: Does this not put a very great administrative burden on the government? They would have to deal with people constantly coming in and out of the Canada pension plan.

Mr. STEVENS: I think other countries which have the opting out feature have been able to handle it.

Mr. BASFORD: I am not sure that I accept that, because our evidence is that in the other countries where they have contracting out, the experience has been that the contracting out is in industries where the employment is extremely stable and where there is very little movement in the industry or even in and out of the industry which, of course, is not so with construction.

Mr. STEVENS: The mobility in construction is between one employer and another employer and one location and another location. A man who is a bricklayer or a carpenter will stay with the industry as long as the industry can offer him an income.

Mr. BASFORD: But in an industry such as the construction industry, which is also subject to considerable fluctuation, I think it is also common that people come in and out of it quite a lot. If things are slow in the construction industry they find something else to do; they go fishing or logging.

Mr. STEVENS: Mr. Chairman, we made representations jointly with the construction unions, to the cabinet committee on employment only last February asking for statistics on occupational mobility. We are hopeful that these statistics will be soon available for Canada. At the moment we do not have any statistics. This was an effort jointly between labour and management in our industry, asking the government to provide that type of information so we might be better informed on the factual situation.

Mr. BASFORD: I was hoping you would give me factual information now.

Mr. STEVENS: It is not available.

Mr. BASFORD: My observation would be that it would be very high, but I may be prejudging the situation.

The CHAIRMAN (*Mr. Cameron*): Are there any further questions?

Mr. Dalton, Mr. Stevens, Mr. Stafford, Mr. Desmarais, Mr. Chutter, we wish to thank you for the brief you have submitted to the committee and for the manner in which you have presented your recommendations. We thank you for the very frank and open way in which you have answered our questions.

Mr. STAFFORD: Mr. Chairman and members, we would like to thank you for the way you have received us and especially for the prebriefing session we had in the Senate; we appreciated it very much, and we enjoyed it.

Mr. KNOWLES: Mr. Chairman, I hope that, now reference has been made to it on the record, Senator Fergusson will not mind if one of the members says that we too appreciated her very kind hospitality this evening.

Some hon. MEMBERS: Here, here.

Mr. BASFORD: May I move a motion of thanks to the Canadian Construction Association for their appearance here and for their very constructive brief in pointing out areas which are of special concern to them?

Mr. CÔTÉ (*Longueuil*): I second the motion.

The CHAIRMAN (*Mr. Cameron*): Mr. Basford has moved, seconded by Mr. Côté, that we pass a vote of appreciation to your committee for the presentation here tonight. How is it received?

Motion agreed to by acclamation.

The committee is adjourned until ten o'clock tomorrow morning.

APPENDIX A37

Answers to Questions raised by Mr. Knowles, Mr. Cantelon, and Mr. Aiken on December 3, 1964, and January 15 and 20, 1965

1. *Question*:

What would happen in the event of an employer becoming bankrupt and not leaving an estate sufficient to cover both what he deducted and did not remit on account of contributions under the Canada Pension Plan and what he deducted but did not remit on account of taxes under the Income Tax Act? (p. 217)

Answer:

While the Bill, as mentioned in the Minutes of Evidence on page 216, does not purport to assert any express priority for claims under the Canada Pension Plan over other Crown claims such as claims for unemployment insurance deductions and income tax deductions, the actual priorities of such claims would depend, in the first instance, on whether the various amounts that the employer was required to deduct and keep separate and apart from his own funds were in fact so kept separate and apart. To the extent that they were, there would probably be no problem, since they could be turned over to the Crown by the persons administering the estate as soon as they were identified.

If, however, the moneys in question had not in fact been kept separate and apart from the employer's own funds, a different situation would exist. In this connection, it would be noted that subsections (3) and (4) of section 24 of the Canada Pension Plan are somewhat different from the corresponding provisions of the Unemployment Insurance Act and the Income Tax Act. Under the provisions in question of the Canada Pension Plan, the amount of any pension contributions deducted but not remitted by an employer is deemed to be separate from and form no part of the estate in bankruptcy "whether or not that amount has in fact been kept separate and apart from the employer's own moneys or from the assets of the estate". The words in quotation marks do not appear in the corresponding provisions of the Unemployment Insurance Act and the Income Tax Act. In the result, a claim for pension plan contributions would probably be treated as having to be paid before any of the other Crown claims mentioned, because the other Crown claims, in any case where the various amounts that should have been remitted have been merged with the other assets of the estate and cannot therefore be separately identified, would probably have to be treated by the person administering the estate as claims against the estate itself, to be dealt with in accordance with the priorities set out in section 95 of the Bankruptcy Act. In accordance with the priorities set out in that section, a claim under the Unemployment Insurance Act, which comes under paragraph (*h*) of section 95, would be entitled to priority over any claim under the Income Tax Act, which would presumably be treated as coming under paragraph (*j*) of that section along with any other claims of the Crown not previously mentioned.

2. *Question*:

What is the average difference between the ages of husband and wife across the country? (p. 992)

Answer:

It is not possible to determine the average of the differences in age between husbands and wives across Canada, since no Census tabulation was devised to record the *differences* in the ages of husbands and wives. Only the actual ages themselves were recorded; these have been averaged for various age groups. It is possible to say that for husbands aged 65 to 69, the median average age of their wives was 62.8 years in 1961. If it can be assumed that the average age of these husbands was 67, then the difference between the age of the average husband in this group and the age of the average wife of this group of husbands would be 4.2 years. The difference between the average age of all husbands and the average age of all wives was 3.5 years.

Bulletin 2.1-11 of the 1961 Census of Canada provides a table entitled "Husband - Wife Families showing Age of Husband by Age of Wife" (Table 95). The following averages can be developed from this table:

	Median Age (years)
Wives of Men Age 65-69	62.8
Wives of Men Age 70 and Over	70.0
All Wives	39.5
All Husbands	43.0

3. *Question*:

(*a*) What would be the amount of the old age security benefit of $75 a month available at age 70 if its actuarial equivalent were payable at age 60?

(*b*) What would be the amount of the maximum Canada Pension Plan retirement benefit ($104 a month) available at age 65 if its actuarial equivalent were payable at age 60?

Answer:

The following actuarily equivalent annuities were calculated by the Department of Insurance in accordance with the mortality rates of the Canadian Life Table, 1960-62, males or females, as applicable, and interest at 4 per cent per annum. Annuity payments were assumed payable monthly in arrears.

(*a*) Monthly amount of annuity payable at age 60 equivalent to $75 per month payable at age 70—

Males	$26.75
Females	$30.53

(*b*) Monthly amount of annuity payable at age 60 equivalent to $104 per month payable at age 65—

Males	$64.88
Females	$68.88

APPENDIX A38

SUBMISSION OF THE GOVERNMENT OF ONTARIO TO THE SPECIAL JOINT COMMITTEE OF THE SENATE AND HOUSE OF COMMONS ON THE CANADA PENSION PLAN

Toronto, January 21, 1965.

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SUBMISSION OF THE GOVERNMENT OF ONTARIO TO THE SPECIAL JOINT COMMITTEE OF THE SENATE AND HOUSE OF COMMONS ON THE CANADA PENSION PLAN

A. *Introduction*

1. Ontario has given careful and serious consideration to the several proposals of the Government of Canada for a nation-wide contributory pension plan. The Ontario Government has been most concerned in the light of its constitutional position to carry out fully its responsibility to the people of Ontario. *The Government believes that the adoption of Bill C-136 as it stands would result in the acceptance of a plan deficient in achieving the most desirable results for an expenditure of the magnitude involved.* This submission indicates what some of these shortcomings are and provides suggestions for improvements.

2. Although the Government of Canada has indicated on several occasions *that the basic principles of the Canada Pension Plan are unchangeable, the Government of Ontario is not prepared to accept this policy as the last word and hopes that the Government of Canada will be persuaded to give favourable consideration to the constructive suggestions offered by Ontario.*

B. *Basic Criticisms*

3. Ontario's principal criticisms of the Canada Pension Plan are:

(*a*) *Adequate advance consideration does not appear to have been given to the full financial and economic implications of the present proposals and possible alternatives, and*

(b) *The lack of co-ordination between the Canada Pension Plan, Old Age Security and other government welfare and social security programmes results in inadequate provision for those most in need.*

C. *Summary of Recommendations*

4. Ontario has voiced its comments on the Canada Pension Plan at six federal-provincial conferences since July, 1963. In addition, the Prime Minister of Ontario has exchanged letters on the subject with the Prime Minister of Canada and Ontario officials have met with federal government officials on numerous occasions. Consistent with the principles to which Ontario has adhered throughout these exchanges, the following recommendations are made:

(a) *The Federal Government should obtain the opinion of the Royal Commission on Taxation on the implications of the Canada Pension Plan on fiscal policy and the incidence of taxation. If the Tax Commission finds that the proposed method of financing the Canada Pension Plan is inconsistent with its own recommendations, alternative methods should be considered. (paragraphs 11 and 12)*

(b) The Old Age Security and Assistance programmes and the Canada Pension Plan should be treated as a single programme geared to the needs of older people. (paragraph 15)

(c) A flat benefit of perhaps $25 a month should be provided under the Canada Pension Plan from January 1, 1967 to all persons receiving Old Age Security benefits. (paragraph 19)

(d) A minimum pension of perhaps $25 a month should also be paid to all persons qualifying for benefits under the Canada Pension Plan. (paragraph 20)

(e) The 42-year earnings base should be abandoned. In its place, a shorter period, perhaps the ten last or ten best years of earnings, should be used. (paragraph 27)

(f) In cases of early retirement, certain years between retirement and age 65 should not be counted in calculating the earnings base. (paragraph 30)

(g) The Earnings Index should be abandoned and the Pension Index based on the cost of living substituted for it. (paragraph 32)

(h) A retirement test should be used to determine entitlement for both Canada Pension Plan and Old Age Security benefits for persons between the ages of 65 and 70. (paragraph 35)

(i) The exemption of contributions on the first $600 of earnings should be eliminated. (paragraph 37)

(j) A transition period of twenty years rather than ten years should be adopted for the Canada Pension Plan. (paragraph 40)

5. *In making the above recommendations, Ontario is not raising new issues at the eleventh hour. It is merely making concrete suggestions as to how its previous criticisms can be met in order to clarify its position for the Special Joint Committee of the Senate and of the House of Commons. Ontario has no desire to raise insuperable difficulties that would make the plan impossible. It is convinced, however, that changes proposed in this submission are desirable to achieve what the Minister of National Health and Welfare has described as "a comprehensive plan to apply to as many people as possible in this country."*

6. *These recommendations are submitted in a spirit of co-operation and in the hope that the Committee and the Federal Government will act on them.* Ontario believes that they will correct some serious shortcomings in the Canada Pension Plan as proposed in Bill C-136. In view of the profound im-

pact that the Canada Pension Plan will have on the welfare of Canadians and the future development of this country, it is essential that the best plan possible be adopted.

7. The Government of Ontario appreciates that previous discussions have resulted in some notable improvements in the Canada Pension Plan since it was first introduced. In particular, *it welcomes the inclusion of survivors' and disability benefits, made possible by the constitutional amendment which Ontario supported. It welcomes the safeguards to ensure that significant changes in the pension plan are made only after agreement with the provinces and to allow a province to withdraw from the plan after two years' notice. In addition, the availability of the reserve fund to the provinces meets one of Ontario's previous criticisms.*

D. *Financial and Economic Considerations*

8. *There is no evidence that the present version of the Canada Pension Plan was preceded by a comprehensive study of the needs of Canadians or of the financial and economic implications of the proposals. Canges that have been made in the plan since July, 1963 have been almost entirely the result of compromise, apparently without sufficient regard to basic improvements in what the plan seeks to accomplish.*

9. Actuarial and economic reports were completed for the Federal Government in November and December of 1964. *These reports were prepared in the main, after the provisions of the plan had been set out and therefore could have little or no influence on its development. There is no evidence that any alternative plan was considered by those who studied the plan's economic and financial implications. Above all, there appears to have been little regard given to the relative priorities appropriate for major programmes of social welfare and national development.*

10. *The Government of Ontario has expressed concern in the past as to whether the proposed method of financing the Canada Pension Plan is in the national interest. Contributions will constitute, in effect, a major addition to direct tax burdens. In 1966, excluding collections under the Quebec Pension Plan, approximately $426 million will be raised.*

11. *The Royal Commission on Taxation has been engaged for more than two years in the most comprehensive study of our tax structure yet undertaken in this country. The Tax Structure Committee, established late last year, will also be studying the availability and allocation among the levels of government in Canada of the various tax fields. In view of the magnitude of contributions to the Canada Pension Plan, Ontario suggests that the Federal Government obtain at least a preliminary opinion from the Royal Commission on Taxation on the implications of the Canada Pension Plan for fiscal policy and the incidence of taxation.*

12. *The Government of Ontario believes that the proposed method of financing the Canada Pension Plan should not be regarded as immutable.* If the Royal Commission on Taxation were to find that the present proposals were greatly at variance with its recommendations for future development of the tax structure, it would be in the national interest to consider *alternative methods. It should not be necessary to wait for the final report of the Royal Commission to obtain its opinion.*

13. *Ontario is concerned about some of the immediate economic effects of the proposed method of financing. For example, the substantial contributions contemplated for 1966, with no offsetting pension payments, will tend to*

act as a brake on economic growth. Any possible tax cut in the federal budget would have to exceed the amount of contributions to exert a stimulating effect on the economy. The net result is some loss in the flexibility of fiscal policy.

E. *Lack of Co-ordination with Related Programmes*

14. *The Government of Ontario strongly believes that any social security programme for the aged must take into consideration the needs of both* those *now on retirement* and those *who will retire in the future.* It is also concerned that something be done both for those *with earned income* and *those without. The most serious criticism of the Canada Pension Plan is that it does not do this.*

15. *Ontario submits that the Old Age Security and Assistance programmes and the Canada Pension Plan should be treated as a single programme geared to the needs of older people.* In such an integrated *system, no groups would be forgotten and inequities between one group and another would be kept to a minimum.*

16. *There is some co-ordination between the two systems in the proposals which are before you. The modification of widows' and disability pensions when Old Age Security pension becomes payable, and the use of a pension index based on the Consumer Price Index for* escalating Old Age Security, are indications that the two programmes are not treated as completely isolated entities. Nevertheless, these are minor compared to the areas where real improvements could be made.

F. *Flat Benefit Pension*

17. No provision has been made for those already on retirement beyond the minor effect of the escalation of Old Age Security benefits by the Pension Index. Nearly one million Canadians are now receiving Old Age Security benefits, all of whom are excluded from the Canada Pension Plan. It is estimated that out of 1,481,000 persons in Canada aged 65 and over in the year 1965, only 131,000 will ever receive any benefit from the Canada Pension Plan and that the benefit for the small group that receive anything will average only $33 per month. The evidence is convincing that these people will be no less in need than those who retire in future years and who will qualify for Canada Pension Plan benefits of much greater amount. The inequity of the exclusion of those now retired will be most marked eleven years from now when some of those retiring with ten years' contributions under the Canada Pension Plan will be receiving maximum benefits, while their neighbours who retired in 1965 will receive nothing beyond the flat rate Old Age Security pension.

18. The development of a large pension fund, to which more than one million retired Canadians will have no access, will lead to strong pressures to modify the structure of the Canada Pension Plan. After ten years of the plan's operation, only about one-third of the population over age 65 will receive pensions, which will average under $50 a month, and about two-thirds will receive no pension whatsoever. At that point, the fund will have reached $5.0 billion (excluding Quebec), and still be increasing.

19. Ontario recommends that a flat benefit of perhaps $25 a month be paid under the Canada Pension Plan from January 1, 1967 to all persons receiving Old Age Security benefits. The same flat benefit would be paid to those qualifying for Old Age Security in future in cases where no graduated pension is payable to them or to their spouses.

20. Ontario also recommends that this amount should constitute a minimum pension for all people who qualify for graduated benefits under the Canada Pension Plan. In the case of married couples, the benefit for the couple would be $50 a month or the combined graduated benefit if greater.

21. These two recommendations will go a long way towards meeting the real needs not only of those already retired but also those who will retire in the future with small wage-related benefits. Certain measures are recommended later which would help finance these proposals from Canada Pension Plan contributions.

G. *Earnings Base*

22. Under the proposed Canada Pension Plan, relatively few contributors will ever receive maximum benefits. The age group which will be retiring shortly after 1975 may, in fact, be the only one with a substantial proportion of pensioners receiving maximum benefits. Those who retire in later years will find their earnings base reduced through reasons of sickness, travel, further education, apprenticeship, etc.

23. When the Canada Pension Plan is mature and a 42-year period (i.e., all the years between age 18 and 65 minus 10 per cent of such years) of maximum contributions will be needed to obtain full benefits, many inequities will arise. Any person who is still at school after the age of 18 may be penalized severely by this 42-year contribution requirement for calculating pension benefits. This also applies to people who retire prior to age 65. It does not appear fair, for example, to require persons who can be employed for only three or four months of a year to count such earnings as a full year's income. Many people will be unable to qualify for maximum benefits although they will be contributing in aggregate much more than those who retire in the years immediately following 1975 and who will be receiving maximum benefits.

24. For example, let us take the case of an industrial worker now aged 20 who, after five years of low earnings which are dropped out, earns an average of 60 per cent of the ceiling (now $5,000) from age 25 to 45 and 100 per cent of the ceiling from 45 to 65. His pension will be 80 per cent of the ceiling (i.e., $83 per month based on present wage and price levels). Someone now aged 45, with similar earnings in future will receive the maximum pension ($104 per month based on present wage and price levels). The younger man would thus receive a smaller pension despite much greater aggregate contributions.

25. In order to qualify for full pension at age 65, the worker must have earned above the ceiling (which itself is well above the national average wage) in 9 out of every 10 years since age 18 or since the plan started. Few wage earners who are now young will be able to achieve such a record.

26. The Government of Ontario is of the opinion that the average Canadian believes that he will receive the full pension or something close to it at retirement. The examples in paragraphs 23, 24 and 25 have been provided to show how mistaken he may be.

27. Ontario believes that the inequities created by the 42-year earnings base are serious enough that it should be abandoned. In its place Ontario recommends that pensions be based on a shorter period, for example the ten last or ten best years' earnings, which in the average case will bring pensions to or close to the maximum. A similar period is in use in the United States Old Age, Survivors and Disability Insurance programme for those currently retiring.

28. In Canada as in other developed countries, there is a steady trend towards earlier retirement. At the present time, the average retirement age

for males is closer to 65 than to 70 and is lower for females than males. If current trends continue (and with the rapid pace of technological change it is expected they may accelerate), the average age at retirement may be considerably less than 65, even before the Canada Pension Plan reaches maturity. Even now there are large groups who are required to retire before they reach age 65. In Ontario, for example, many teachers retire several years before reaching 65.

29. Under the Canada Pension Plan, any years after retirement and before age 65 must be counted as years of zero earnings in calculating the earnings base. This can be manifestly unfair. It provides a great incentive for people to try to find additional work after they have already retired. Such a situation is in direct opposition to the long-term adjustments being made by society in response to rising living standards and the acceleration of technological change.

30. To alleviate potential hardship in cases of early retirement, Ontario recommends that certain years following retirement but prior to age 65 not be counted in calculating the earnings base.

H. *Pension Index*

31. The proposed Canada Pension Plan contemplates using two different indices: one based on the cost of living—which would be used to adjust the contributory earnings base in the period prior to 1975 and also to escalate all pensions after payment has commenced—the other based on average wages and salaries—which would be used to adjust the earnings base after 1975.

32. If Ontario's recommendation that the earnings base be the last or best ten years of earnings is accepted, there would be no necessity of retaining an index based on average earnings because increases in productivity would be largely accounted for. After commencement of payment, the benefits under the Canada Pension Plan and Old Age Security are both escalated by an index based on the cost of living only. This same index could also be used in place of the Earnings Index. This will make the plan simpler to operate and far more understandable to the average citizen.

I. *Payment of Pensions Between* 65 *and* 70

33. Because of the fact that no attempt was made to integrate the provisions of the Canada Pension Plan and Old Age Security, two conflicting methods of determining the size of benefit for those going on pension between the ages of 65 and 70 will be used. Under the proposed legislation, Old Age Security benefits may be paid in future years on an age-reduced basis so that in 1970 people aged 65 may begin collecting a flat Old Age Security benefit of $51 a month for life. On the other hand, pensions to people between the ages of 65 and 70 under the Canada Pension Plan will not be age-reduced, but will be dependent on an earnings test to ascertain whether or not a prospective pensioner is retired.

34. Under the proposed system, it is logical to assume that those people who would be in real hardship after the age of 65 would elect to take an age-reduced Old Age Security pension. Since people electing this option would be likely those receiving little or nothing under the Canada Pension Plan, they could be worse off after age 70 than they are now. To assist in needy cases of this type, the federal and provincial governments would have to make substantial revisions to the Old Age Assistance programme.

35. Ontario recommends that the retirement test should be used for both the Canada Pension Plan and for determining entitlement to Old Age Security benefits to Canadians between the ages of 65 and 70. This would be not only more logical and less confusing but also better related to actual need. Less

adjustment to the Old Age Assistance programme would be involved because people going on Old Age Security prior to age 70 would receive the full flat benefit.

J. *Exemption of First $600 of Earnings*

36. The exemption of the first $600 of earnings from contributions is another complicating feature of the Canada Pension Plan. It is estimated that the exemption would result in more than one million refunds a year in cases of over-contribution. The amount of saving to contributors (90¢ a month) which the exemption provides is so small that it hardly qualifies as a substantial benefit to low-income groups.

37. Ontario recommends that the $600 exemption be eliminated. If the resultant saving were applied towards increasing benefits to those already retired and to establishing a minimum pension, a simpler and more equitable arrangement would be achieved. This would be of greater benefit to low-income groups than the contribution exemption.

K. *Transition Period*

38. In the original Quebec Pension Plan, a transition period of twenty years was envisaged. Representatives of both Ontario and Quebec argued strongly that twenty years was preferable to the ten-year transition period proposed for the Canada Pension Plan. This short transition period results in large cross subsidies to persons aged 50 to 60 whose position is extremely favourable compared with persons either older or younger and also provides a strong incentive to postpone retirement during the transition period since each additional earnings year has a marked effect on the pension.

39. A person aged 55 on January 1, 1966, in order to purchase privately a pension equal to the Canada Pension Plan pension he is entitled to receive in 1976, would have to pay monthly premiums aggregating $11,688. He and his employer will in fact pay only $1,784. The difference of $9,904 will be paid by and on behalf of younger people who will themselves seldom qualify for a maximum pension. The magnitude of this cross subsidy, which will be aggravated by the indexing, is a direct result of the short transition period.

40. Ontario recommends that a twenty-year transition period be adopted for the Canada Pension Plan. This proposal would result in savings to the plan which could be applied to the minimum benefit, which will be immediately available to those now on retirement. This minimum benefit would eliminate the main argument for a short transition period in the Canada Pension Plan.

L. *Integration with Private Plans*

41. Over the course of the past 18 months, Ontario has pointed out some of the complications which the Canada Pension Plan presents for the integration of present and future private pension plans and for the 63 per cent of the Ontario paid workers who are employed in organizations that have pension plans. Most of the aspects of the Canada Pension Plan which have been discussed in earlier sections of this submission contribute to this difficulty. The amendments which Ontario recommends would have the effect of simplifying the Canada Pension Plan and thereby making integration with private plans much easier.

42. The longer transition period, the elimination of the exemption on the first $600 of earnings, the elimination of the Earnings Index, and the use of only one method of determining pensionability between ages 65 and 70 would solve many of the integration problems pension experts are now facing.

APPENDIX A39

STATEMENT MADE IN THE ONTARIO LEGISLATURE BY THE HONOURABLE JOHN ROBARTS, PRIME MINISTER OF ONTARIO, REGARDING THE CANADA PENSION PLAN,

Thursday, January 21, 1965.

The question of an adequate pension plan for the citizens of Canada has been the subject of debate for nearly fifty years. In more recent history, this Government established a committee five years ago to investigate the possibility of providing for the residents of Ontario pensions that would be both compulsory and portable. This Committee received many briefs, held public meetings and prepared draft legislation.

Finally, as a result of three years' research carried out by the Committee, Bill 110, "An Act to provide for the extension, improvement and solvency of pension plans and for the portability of pension benefits", was presented to this Legislature on April 26, 1963. It was the first legislation of this type in Canada and, in essence, it established the principle of compulsory pensions and the principle of portability of pensions. The objective of this Government in conducting this research and in introducing this legislation was to devise a pension plan which would provide assured pension provisions for the residents of this province.

Subsequent to the introduction of this Bill, the Federal Government proposed to introduce a universal old age pension. Through what was, in my view, very bad judgment indeed, this idea in a most primitive state, was injected into the provincial election campaign of September 1963. This precipitate action served merely to prevent the logical development of a pension plan which could be understood by the people of Ontario and the people of Canada. It was an action that has led to many misunderstandings.

After three complete revisions, there is now before the Parliament of Canada and a special joint committee of the Senate and the House of Commons a bill known as Bill C-136, which is "An Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada, payable to and in respect to contributors". Clause 3 of this Bill provides that any province can establish its own "comparable" plan, effective not later than January 1st, 1966, if it signifies its intention to do so within thirty days after Royal Assent has been given to Bill C-136. No precise definition of "comparable" has been laid down but I think common sense would indicate that a provincial plan, at least at the outset, would have to have substantially identical levels of benefits and contributions in order to meet this test of comparability.

The Province of Quebec has already indicated, by resolution of its legislature, that it intends to exercise its prerogative under this section and will pass an act establishing its own pension plan under which the benefits and contributions will be in all respects similar to Bill C-136. Since the right to do this clearly extends to each province in Canada, Ontario must choose between two options. It must either operate its own "comparable" plan, or participate in the Canada Pension Plan.

We have had these alternatives under careful study for many months, particularly since last November when the full particulars of Bill C-136 were made public.

With regard to the alternative of operating our own plan, may I say that our studies clearly indicate that it would be entirely feasible for the Government of Ontario to do so; indeed, there are substantial arguments in favour of our so doing.

We would then have a plan which could be operated to our satisfaction, both efficiently and economically, for the benefit of the people of this province. We would preserve the constitutional rights which are ours under the British North America Act. We would have complete control over all the funds generated in this province. We would have complete control over any future amendments respecting contributions, benefits and other financial aspects. Such considerations appear particularly important when we view the lamentable history of the Unemployment Insurance Fund. In addition, although a provincial plan must be comparable to the federal plan, I am convinced that we could make improvements and simplifications in benefits, contributions and administrative features of the plan if we were to devise and operate our own.

On the other hand, the Province of Ontario and this Government have traditionally worked for national unity and national standards of social services. We have participated in national social security programs and in many other instances have provided support in the interests of national standards and national stability. In the present circumstances, if we were to propose a plan in which there were any marked differences, even though "comparable", we might seriously impair the principle of national portability of pensions, which has been one of our goals for many years.

As I have said, some very broad and important changes have been made in the various versions of the plan put forward by the Federal Government over the period of the last year and a half. The most basic of these changes were made last April, after a federal-provincial conference in Quebec City. They resulted from intensive consultation between the Government of the Province of Quebec and the Government of Canada. Subsequently, there were discussions between officials of the Government of Ontario and of the Government of Canada and these resulted in several basic and important amendments which are now incorporated in Bill C-136.

While at no time surrendering our right to operate our own plan, we have put very forcibly to the Federal Government a number of objections, some of which, as I have said, have now been met by the provisions of Bill C-136.

Of greatest importance to the people of Ontario, we requested safeguards in order to prevent unilateral changes in the provisions of the Act, particularly in regard to benefits and contributions. As a result of our request, a section was inserted in the Act which, in effect, provides for consultation with the provinces before any future changes may be made in the plan. As the plan now stands, no amendment of substance can be made until after a notice period of at least two years has elapsed, and such changes can be effected only if assent is given by two-thirds of the participating provinces with two-thirds of the population of the participating provinces. In effect this gives the people of Ontario, through their government, a clear right to be consulted in the future and to decide upon the implications and desirability of any change that may be proposed. It provides an effective veto over changes of substance with which we may not agree.

Secondly, in order to protect our constitutional position, we asked that the legislation provide that we should be able, at any future time, to leave the Canada Pension Plan and to be placed in precisely the same financial position as if this province had operated an identical but separate plan from the outset. This suggestion was accepted and Bill C-136 allows such opting out with transfer of assets upon at least two years' notice, and on condition that the province assume all obligations to persons who have contributed in the province.

Thirdly, when it was first decided that the plan should be partially funded, only 50 per cent of the funds generated as security for future payments out of the fund were to be placed under the control of the province in which the funds originated. I suggested that this be increased to 90 per cent. To our satisfaction, the provisions of Bill C-136 provide that virtually the whole of the funds generated under the plan will be made available for the use of the provinces, in proportion to the amounts contributed in each province.

Fourthly, we maintained from the beginning that the plan should provide benefits for surviving dependents and disabled persons. This, too, has been provided for in the Bill following agreement on a constitutional amendment which was necessary to make this possible.

Thus, it is obvious that some of the major objections which we had in principle to the original legislation have been met by the Government of Canada. Their concurrence in our requests in these areas has been of great importance in assisting us to reach the decision that we must make and to which I have referred in the earlier part of this statement, namely: the decision as to whether the Province of Ontario should operate its own pension scheme or participate in the Canada Pension Plan.

The first duty and responsibility of the Government of this Province is, of course, to look after the interests of our own people. This is our primary objective. On the other hand, our position with respect to the whole of Canada and its people is one of which we are proud and which we have traditionally maintained. Thus, the decisions we make must be made in the broad context of what is best for the Canadian nation, as well as for the Province of Ontario.

In this context, I have come to the conclusion that bearing in mind the safeguards which have been put in the legislation, it would be in the best interests of the people of Ontario and in the best interests of Canada that we in Ontario accept the Canada Pension Plan in principle and bend every effort to make this plan truly national in scope for the benefit of all the citizens of Canada.

In coming to this decision, I am well aware that the Government of Quebec has indicated that it intends to administer its own pension plan, which will be comparable to the Canada Pension Plan and, it is hoped, will not seriously impair inter-provincial portability. This decision by the Province of Quebec is based on the determination of its government to administer its own social welfare legislation. While I can sympathize with this decision, I nevertheless do not despair that in the future the Government of Quebec may see fit to enter into the national plan, which will be so similar to its own. If this could come to pass, we would achieve our ultimate goal of a truly national pension plan that would go far toward setting the pattern for future, nation-wide, social welfare legislation.

Agreement in principle, however, does not preclude our right to offer constructive criticism or take issue with certain aspects of the proposed federal legislation. We believe that the present federal plan can be improved in several important areas. In one form or another, these suggestions have already been placed before the officials of the Federal Government during the formulation of the plan. In order that we may once again place our point of view in regard to these matters before that government in detail and as forcibly as possible, in the hope that further modifications to produce a better plan will be undertaken, it is our intention to present a Brief dealing with these points to the Special Joint Committee of the Senate and House of Commons, which is now receiving submissions in Ottawa. Since some aspects of the discussions contained in the Brief are highly technical, I shall not read it at this time but shall arrange to have copies distributed to all Members of the Legislature.

Our most serious criticism of the plan is that it makes no provision for the needs of those of our people who are now on retirement and those who will retire during the next ten to fifteen years, who, for one reason or another, such as sickness or unemployment, are unable to contribute to the plan.

Nearly one million Canadians are now receiving Old Age Security benefits, all of whom are excluded from the Canada Pension Plan. It is estimated that out of 1,481,000 persons in Canada aged 65 and over in the year 1965, only 131,000 will ever receive any benefit from the Canada Pension Plan and that the benefit for the small group that receive anything will average only $33 per month. The evidence is convincing that these people will be no less in need than those who retire in future years and who will qualify for Canada Pension Plan benefits of much greater amount. The inequity of the exclusion of those now retired will be most marked eleven years from now when some of those retiring with ten years' contributions under the Canada Pension Plan will be receiving maximum benefits, while their neighbours who retired in 1965 will receive nothing beyond the flat rate Old Age Security pension. In the Brief, suggestions are made as to how these shortcomings may be overcome.

In reaching the decision that Ontario should accept the Canada Pension Plan in principle, we have kept uppermost in our minds the primary interests of the people of this province and we are satisfied that these will be adequately protected by the safeguards which, as a result of our earlier submissions, are contained in the Bill. With our interests protected, it is possible for us to join with the Government of Canada and with our sister provinces, with the exception of Quebec, in promoting what is at least substantially a national pension plan. As a result, we shall achieve uniformity of contributions and benefits, and portability from coast to coast, which has been our aim since the beginning of our studies in the field of pensions.

I hope that the proposals which we shall make to the Joint Committee and which will ultimately be placed before the Government of Canada, will be given due consideration in order that we may achieve the best possible pension plan for the people of Canada.

APPENDIX A40

ANSWER TO QUESTIONS RAISED BY MR. BASFORD AND MR. CANTELON ON JANUARY 21, 1965

Question

What will be the effect on the rate of pension otherwise payable, to say teachers and firemen, of the extension of education beyond age 18 or retirement from the labour market prior to age 65?

Answer

The following table indicates the effect, on the pension otherwise payable, of selected periods of zero earnings assuming either a level wage throughout and no escalation by the wage index or a wage which is a constant percentage of the earnings ceiling and assuming that the contributor has no earnings after retirement, i.e. after the higher age shown on each line below:

RETIREMENT BENEFITS BASED ON SELECTED CONTRIBUTORY PERIODS

Age in 1966	Contributions made from Age to Age	Permissible Drop-out (Years)	Years of Zero Earnings (Years)	Pension Payable at Age 65 as Percent of Full Pension
18	18-62	4.7	3	100.0
18	20-62	4.7	5	99.4
18	23-62	4.7	8	92.3
18	18-60	4.7	5	99.4
18	20-60	4.7	7	94.7
18	23-60	4.7	10	87.6
35	35-62	3.0	3	100.0
35	35-60	3.0	5	92.6
35	35-55	3.0	10	74.1
45	45-62	2.0	3	94.4
45	45-60	2.0	5	83.3
45	45-55	2.0	10	55.6
55	55-62	Nil(a)	3	70.0
55	55-60	Nil(a)	5	50.0

(a) Transitional period.

APPENDIX A41

ESTIMATED VALUES OF CANADA PENSION PLAN BENEFITS TO A MAN AGED 40 IN 1966

Request

During the morning session of the Committee on December 1, 1964, Mr. Knowles asked for an estimate of "the actuarial or insurance value of the protection afforded, say, to a 40 year old person".

Estimates

The values shown in the schedule below may be considered to be applicable to a man aged 40 on January 1, 1966, who contributed under the Canada Pension Plan at any time during his subsequent working lifetime. Actually, the values are average values attributable to all males aged 35½ to 44½ on January 1, 1966, in Canada excluding Quebec, who would eventually qualify for benefits under the Plan.

In general, the values were determined in accordance with the assumptions used for the estimated described in the actuarial report dated November 6, 1964. Clearly, immigration has no effect on the group under consideration and, thus, populations resulting from "net" immigration after 1965 were excluded from the calculations. Also, fertility has no effect as respects any benefits except orphans' benefits for which it was assumed that the average of the high and low fertility rates would apply.

The values in the schedule designated as A were based on benefits determined in accordance with the assumptions that the Pension Index would increase from 1967 onwards at an annual rate of 1½% to 1975 and 2% thereafter and average earnings would increase at an annual rate of 4%. The values designated as B were based on benefits determined in accordance with the assumptions that the Pension Index would increase from 1967 onwards at an annual rate of 1½% and average earnings would increase at an annual rate of 3%. The rate of interest assumed for discounting amounts of benefits payable in future years back to 1966 was 5% per annum to 1975 and 4% per annum thereafter.

ESTIMATED AVERAGE VALUES, AS AT JANUARY 1, 1966, OF CANADA PENSION PLAN BENEFITS TO A MAN AGED 40

Type of Benefit	A	B
Age retirement pension	$ 5,143	$ 4,145
Disability pension	444	413
Widow's pension	2,716	2,193
Orphans' pensions	195	190
Death benefit	270	225
Total	$ 8,768	$ 7,166

Department of Insurance,
Ottawa,
January 29, 1965.

APPENDIX A42

ESTIMATED COSTS OF ONTARIO PROPOSAL

A pension of $100 a month paid to all persons 70 and over in 1970 would cost $1,257.6 million.

A pension of $100 a month paid to all persons 65 to 69 in 1970 would cost $688.8 million.

A pension of $100 a month paid to all retired persons 65 to 69 in 1970 would cost $511.2 million.

Total cost of Ontario proposal, without retirement test, $1,946.4 million; with retirement test, $1,768.8 million.

Present OAS benefits in 1970 will cost $974.5 million.

Proposed OAS benefits (Bill C-136) will cost $1,306.1 million.

Extra cost of Ontario proposals over present OAS benefits, without retirement test, $971.9 million; with retirement test, $794.3 million.

Extra cost of Ontario proposals over proposed Bill C-136 benefits, without retirement test, $640.3 million; with retirement test, $462.7 million.

Savings to Federal Government re, CPP retirement pensions, $30.3 million; OAA payments, $47.7 million.

Total: $78.0 million.

Net cost of Ontario proposals over Bill C-136 benefits, without retirement test, $562.3 million; with retirement test, $384.7 million.

APPENDIX A43

STATEMENT BY THE HONOURABLE JOHN ROBARTS, PRIME MINISTER OF ONTARIO,

at the

FEDERAL-PROVINCIAL CONFERENCE ON PENSION PLANS

Ottawa, September 9th-10th, 1963.

At the outset may I make it crystal clear that Ontario will co-operate with the Federal Government to the fullest extent in initiating and implementing a sound and equitable pension plan for the people of Canada. We are prepared to join with our sister provinces and the Federal Government in working out such an agreed plan.

It is well understand that any province has the power to initiate and operate a pension plan—even one such as proposed by the Federal Government—but we recognize that a pension plan that is nationwide has advantages. The extensive studies leading to the enactment of The Ontario Pension Benefits Act, 1962-63, have always emphasized the desirability of a plan national in scope. The Federal Government can count on the fullest support from Ontario in working out such a plan.

This is not new policy but one which has been enunciated from the very commencement of the Ontario studies. My predecessor, in 1960 underscore the desirability of a plan on a national scale when he said:

> "There are serious disadvantages in a province proceeding unilaterally to establish a plan of its own."

In 1961 he stressed that such a plan should be developed

> "in unison with other provinces or the Government of Canada"

and that provisions for amending the Constitution should be worked out to permit Federal participation and action.

I have taken the same position.

On April 6, 1962, on introducing in the Ontario Legislature the first draft of The Pension Benefits Act, the Assembly was informed by me that:

> "I indicated to the Prime Minister of Canada that Ontario would not object to a constitutional amendment to achieve a contributory wage-related plan with survivors' benefits."

Our desire to co-operate is demonstrated by the invitation extended to officials of the Federal Departments to attend meetings of the Ontario Portable Pensions Committee and early in 1962 two senior members of the Department of Finance did attend meetings of our Committee. Then at public hearings conducted by the Ontario Committee last fall, official observers from the Federal Government and six other provinces were present at my invitation as Prime Minister of Ontario. I have consistently emphasized not only Ontario's willingness, but Ontario's desire, to co-operate fully with the Dominion Government. Last May I said that:

> "we would be glad to sit down with the Federal Government officials at any time and the sooner the better."

Again, on July 26th last, at the Federal-Provincial Conference I emphasized that this was our position. At that time I indicated that I was in

complete agreement with and endorsed, the starting point being a $75.00 basic pension. Moreover, I stated clearly and beyond any question of doubt, and I now reaffirm, that Ontario would co-operate by immediately making the necessary provincial contribution so that all segments of our present system, including Old Age Pensions, Old Age Assistance, Disability Allowances, Blind, and other pensions, would be raised to $75.00. This can be done at once, and should be done with the least possible delay. On all other features we will give wholehearted and complete co-operation aimed at making available to the people of Canada and Ontario the very best contributory plan in effect anywhere in the world.

What is now termed "The Ontario Plan"—the plan embodied in The Pension Benefits Act, 1962-1963—arose out of most meticulous studies that commenced in 1960. In addition to these studies, public hearings were held, briefs were submitted by labour unions, employers, insurance companies, individuals, actuaries and other elements in our Province and given careful consideration. The plan itself was introduced in the form of two draft acts in 1961 and 1962 and, after a further year's consideration, in the spring of 1963, the plan was enacted into law with the unanimous approval of the Ontario Legislature, including that of the leaders and members of all parties. The Ontario plan, which was the first of its kind in Canada, not only obtained the approval of the Legislature just four months ago but has received widespread support and approval from all parts of the Province.

In giving this recital of facts I by no means wish to imply that we have counted our pension plan as the last word, or that it should be confined only to Ontario. We have always emphasized the desirability of a pension plan involving federal-provincial co-operation national in its scope and coverage. I would add that the intensive studies instituted by the Province in 1960 under the guidance of the Ontario Portable Pensions Committee produced information which had never before been available. These studies also disclosed problems which in fact had not previously been contemplated. It may be that knowledge of the problems which were disclosed and which I believe were successfully surmounted in the Ontario legislation would be of assistance in the development of a plan sponsored at the Federal level. I shall describe briefly some of these problems, but before doing so may I first say that all of the information assembled by the Ontario Portable Pensions Committee is freely offered to the Federal Government together with the co-operation of the very able committee which conducted this enquiry.

Previous to 1960, little information was available concerning the nature and extent of pension plans already operating in Ontario. The studies to which I refer revealed that there are over 5,000 pension plans, affecting close to one million Ontario employees in Ontario today. These pension plans vary greatly In many cases they are the outcome of employer-employee negotiations and, therefore, have the sanctity of contract. Very early in these studies it therefore became apparent that the solution of the problem was not as simple as merely enacting legislation providing for universal pensions within the Province; it was complicated by the necessity of integrating such legislation with the plans already in operation and affecting the vested and important rights of several hundred thousand Ontario employees.

A few of the outstanding problems involved are set out in the following. Others will emerge from a study of the proceedings of the Ontario Committee's deliberations.

1. As a large number of the plans at present in operation are the result of employer-union negotiations, the greatest care had to be taken in preparing the Ontario legislation so that it would not violate, but rather preserve, the sanctity of these contracts. It follows that there must be some means of integrating a basic Ontario or Federal plan with existing pension agreements.

2. Many of the 5,000 or more plans in existence in Ontario today have benefits far in excess of the minimum provisions of the Ontario plan or of the benefits provided under the new proposed Federal plan. We thought nothing should be done which would destroy or imperil the benefits available under the multitude of existing plans. The Ontario legislation was drafted to avoid this danger, and any Federal plan should do the same.

3. One of the most fundamental problems was that of avoiding double contributions. The over 5,000 Ontario plans vary greatly with respect to terms of payment, levels of benefit and rates of contribution. A few plans are employee-supported, others entirely supported by the employer. A common rate of contribution is 5 per cent of salary by the employee and a like contribution by the employer. Taking this as an example, it was considered unwise to impose a further 2 per cent to support the minimum pension under the Ontario plan. Thus the legislation was drafted to enable the two plans to be integrated.

It was the complexity of this problem which led to provisions in the Ontario act to guard against this double impost. I should point out that this same problem exists in connection with the proposed Federal plan. The proposed Federal plan calls for an initial contribution of 2 per cent but it is contemplated that this rate will rise to at least 5 per cent within the foreseeable future. The experience of the United States is a case in point. The Old Age Security plan in the United States which provides much lower benefits than the proposed Federal plan commenced with a payroll levy of 2 per cent. It now requires a rate of $7\frac{1}{4}$ per cent and this is scheduled to rise to $9\frac{1}{4}$ per cent by 1968. I think it would be expected of me as Premier of the Province to ask for the fullest of protection for the hundreds of thousands of Ontario employees and their employers who can be very vitally affected by a double impost which is avoidable if care is taken in drafting the plan.

4. In formulating the Ontario pension plan, great care was taken to ensure that it would not inhibit the growth in savings and capital for investment and the development of the economy. It was felt that, at this time when Canada is in such great need of investment capital, everything that reasonably could be done should be done to enhance savings and make additional capital available for continuing industrial growth. This was one of the basic considerations underlying the decision to have a funded plan.

5. A fifth consideration was to devise a plan under which benefits would be related to contributions. Under our existing Federal and Federal-Provincial flat pension system—which in many ways is a very good system—everyone receives the same pension, irrespective of income, the number of years worked, or of tax contributions to the pension fund. We concluded that any second deck or supplementary pension provided over and above this basic flat pension should closely relate benefits to contributions. It seemed to us to be inequitable to establish a plan in the supplementary pension area that would provide the same pension for a person who had worked and contributed to the plan for thirty, forty or fifty years as that which would be payable to a person who had worked and contributed to it for only ten years. We sought to achieve maximum equity under our plan by actuarially relating pensions to contributions.

To the above five considerations others could be added. As I say, however, I shall make available to this conference and to its technical advisers representing the Federal Government and other provinces, all of the information upon which the Ontario Portable Pensions Committee made its recommendations and, as well, the personnel of that Committee and of our Pension Commission who, I am assured, will be only too glad to assist as required.

While the Ontario plan and the Federal proposals deal with the same subject, they need not be in conflict but, in fact, could be made complementary

and compatible. With understanding and goodwill which we pledge, and which we have exercised throughout the whole matter, I am confident that a plan can be developed that embodies the best features of both plans and, while affording protection to employees and employers, will at the same time give to the people of Canada a plan of outstanding merit.

I do not come to this conference to magnify difficulties, but rather to find ways and means to give to our people the very best contributory plan which can be devised. I have already indicated that I would approve in principle a pension system operated by the Federal Government, and I am prepared to recommend the amendment of the Ontario plan to conform with such an agreed national system, subject to the protection of Ontario workers from double imposts. In other words there should be ample time and provision for integrating the new plan with existing employee-employer pension plans and contracts.

I am approaching this conference with the object of making progress. However, with the experience I have had with the Ontario plan, I can quite understand that there will be matters that require to be negotiated and settled. We are dealing with a problem of crucial importance to employees and employers and indeed to all Canadians. I am sure that if we approach this problem as Canadians anxious to understand the viewpoints and problems of one another, and anxious to find their solutions, we can agree upon a plan which will be a credit to ourselves and the Governments we represent and withal make a vital contribution to the progress and development of Canada.

APPENDIX A44

ONTARIO

PRIME MINISTER AND PRESIDENT OF THE COUNCIL

Toronto, Ontario, February 13, 1964.

Dear Mr. Pearson:

I thank you for your letter of January 11th and for the memorandum outlining revised proposals for the Canada Pension Plan. This has been studied carefully and I am pleased to offer my comments on the proposal as it now stands.

The matter of pensions has been the subject of discussion at three federal-provincial conferences held in July, September and November of last year. Undoubtedly good progress has been made during this period towards a better understanding of the issues by all concerned. The Government of Ontario appreciates the willingness of the Federal Government to consider revising its proposals and to enter into further discussions on them. For our part, we have announced a delay in implementing the part of The Pension Benefits Act which requires the compulsory establishment of pension plans for groups of 15 or more employees. This action will avoid a possible conflict with the federal pension plan and allow time for it to be adequately discussed and considered.

While appreciating the willingness of the Government of Canada to entertain changes, the Government of Ontario regrets that they fall far short of what we had hoped. While changes have been made, they are little in accord with the representations that we have made. One of our main concerns throughout has been the impact of the Canada Pension Plan on existing private pension plans in this province and the adverse effect on the formation of investment capital upon which the growth of our economy so greatly depends. The changes made in the Canada Pension Plan since the last conference do not set at rest our anxiety on these matters.

Your memorandum mentions that one of the features regarded by the Government of Canada as essential is that any disturbance to private pension plans should be kept to the practicable minimum. We are fully in accord with this principle. We recognize, of course, that some disturbance to private plans is unavoidable when major social welfare measures are being considered. However, we are convinced that the Canada Pension Plan will cause major disturbance to existing pension plans, and in your proposals no suggestions are made as to how the plans are to be integrated.

The extreme difficulty of integrating a plan such as the Public Service Superannuation Act of Canada or the Teacher's Superannuation Fund of Ontario, or the Public Service Superannuation Fund of Ontario with the Canada Pension Plan is apparent, and the information that the Government undertook to provide on how this would be done has not yet been forthcoming. These and other difficulties centre round three features of the Canada Pension Plan, namely, the *short maturity* period before maximum benefits are paid, the *large sub-*

sidies to those *retiring in the early* years, and the automatic adjustment of pensions according to an *earnings index.*

Many of the difficulties would be ameliorated if there were a closer relation between contributions and benefits as we have suggested on previous occasions. Since the flat Old Age Security system is a welfare plan which quite properly subsidizes the poor and needy, it is appropriate that any additional pension plan should be based on a closer regard for individual equity. The revised plan has not succeeded in eliminating many gross inequities during the transition years, which could be reduced by *extending the period during* which the plan reaches maturity.

Moreover, the adjustment of benefits (but not of contributions) according to an index number of average earnings raises serious implications which require further study. The question arises whether if indexing is right for the graduated benefit is it not even more appropriate for the flat universal Old Age Security Benefit? In addition it is evident that such an upgrading of benefits under the Canada Pension Plan favours those who need it least because they have the best earnings records, these being precisely the people who have already received the largest subsidies from the plan.

Under the new proposals there appears to be no closer relation between benefits and contributions than there was in previous versions. Our proposals would have gone a long way in this desirable direction. To concentrate all extra benefits on persons with earned incomes while everyone now aged 70 or over is limited to a pension of $75 a month is plainly inequitable and will surely lead to pressures for pension increases, involving a further rise in the Old Age Security rates of taxation.

Under the new proposals a very substantial fund will be built up in the early years of the plan amounting to over 2½ billion dollars at the end of ten years and still rising rapidly. We are not opposed to partial funding. The fund clearly represents more than a working contingency reserve and yet falls far short of full funding in the conventional sense. There should be an established yardstick that will enable the actual progress of the fund to be compared from time to time with what has been budgeted. For instance, your memorandum proposes scheduled contribution increases that may be deferred under certain circumstances. How big should the fund be to justify such a deferment?

In view of the great magnitude of the reserve fund, and the fact that it is built up from premiums collected in Ontario from our industries and our employees, the investment of half in federal securities is grossly excessive. We therefore suggest that 90% of the reserves should be made available to the participating provinces to be invested in their obligations or in such other manner as they may designate. The Federal Government would still have a reserve fund in federal securities at the end of 10 years of the same magnitude as in the July proposal.

Among the matters that deserve very careful investigation is the new proposal to adopt a retirement test for the graduated benefits, while the Old Age Security payments may be paid from age 65 to 70 on a reduced basis at the sole option of the individual. The operation of an earnings test constitutes an additional administrative task of formidable dimensions.

The Province of Ontario is strongly in favour of retired employees and other old people receiving the most generous pensions possible. Indeed pensions in this province are in fact higher in amount and more widespread than in other parts of Canada. We have devoted time, energy and money to studies of ways of improving pensions, including portability of pensions for those who change their jobs. We are, however, concerned that a pension system may be brought in before the problems have been fully investigated, since the system apparently involves substantial inequities and great administrative complexities.

We note that the Federal Government has decided for the time being not to proceed with the plan to extend benefits to survivors and dependents. We regret this since the existing provision for these people is clearly inadequate and we remain ready to agree to any constitutional amendment that may be required to permit legislation in this area.

We offer these comments in a spirit of co-operation and have agreed to amend our Ontario legislation to conform to an agreed national pension plan. At the same time we believe it is essential that pension legislation should not conflict with other broad aspects of national policy. Pensions should not be over-emphasized to the detriment of other programs merely because the full cost can be deferred into the distant future and contributions are relatively easy to collect. Indeed, the plan must be soundly designed at the outset, for the real defects of the plan will not show up for many years and therefore many people will at first be unaware or not alarmed by its weaknesses.

I welcome your assurance that the plan will receive the fullest possible public discussion in order that the benefit of all relevant points of view may be obtained before the legislation is enacted. A full and thorough public enquiry into the plan and its relation to provincial plans and proposals in the welfare and pension field is an essential preliminary.

Yours very truly,

(Sgd.) JOHN P. ROBARTS.

The Right Honourable Lester B. Pearson, P.C.,
Prime Minister of Canada,
House of Commons,
Ottawa, Canada.

APPENDIX A45

DEPARTMENT OF NATIONAL REVENUE—TAXATION DIVISION
CANADA PENSION PLAN

Application For Refund Under the Canada Pension Plan

To be completed by—

- A person who paid Canada Pension Plan Contributions while employed in any province except Quebec during a year.
- A person who paid contributions to the Canada Pension Plan and Quebec Pension Plan and was resident in a province other than Quebec on the last day of the year.

NOTE: This form is NOT to be used by persons who were in receipt of self-employed earnings during the year.

Employer's Name	Total Wages Per T4 and TP4 Slips	Contributions Per T4 and TP4 Slips
_____	$.....	$.....
_____	$.....	$.....
_____	$.....	$.....
_____	$.....	$.....
Totals	$.....	$.....

Less:

Basic Exemption $ 600.00

Wages Subjected to Contribution (Maximum $4,400) $ _____ "A"

Required Contribution of 1.8% of amount opposite "A" above $ _____

Your refund is the amount of Contributions per T4 slips in excess of the required contribution $ _____

Special instructions would be available to contributors to assist them in preparing the return if, during the year, they reached 18 or 70 years of age or died, etc.

APPENDIX A46

CANADA PENSION PLAN

CALCULATION OF SELF-EMPLOYED CONTRIBUTION

FOR USE BY INDIVIDUALS:

- Resident in Canada other than residents in the Province of Quebec on December 31, 1966, whose contributory self-employed earnings for the year are $800 or more or whose combined contributory salary and wages and self-employed earnings for the year are $800 or more.

- Who elect to make additional Canada Pension Plan contribution on salary and wages for the year which were subject to over-exemption and the total of salary and wages amount to $800 or more.

Self-Employed Earnings for the year..... $_____

COMPLETE THIS AREA IF YOU RECEIVED EMPLOYMENT INCOME DURING THE YEAR

Total Salary and Wages per T4 Slips..... $_____

Less: Amount subjected to Contribution per T4 and TP4 Slips..... $_____ "A"

*Balance on which no contribution made..... $_____

*Insert this balance in the outer column if it is $600 or less. If it is more than $600 insert $600 unless you elect to contribute on the excess and, if you do so elect, insert the full amount. ▶ $_____

TOTAL $_____

Deduct: Basic Exemption for the Year..... $ 600.00

Amount of Earnings upon which a Contribution may be Payable....AMOUNT "B" $_____

Maximum Contributory Earnings for the Year..... $ 4,400.00

Deduct: Salary and Wages subjected to Contribution as in "A" above..... $_____

AMOUNT "C" $_____

Amount Subject to Contribution. Enter Lesser of Amount "B" or Amount "C".... $_____

Contribution Payable 3.6% of Amount Subject to Contribution..... $_____

REFUND APPLICATION

If Amount "B" or Amount "C" is a minus quantity and you have made a contribution as an employee, you may claim a refund calculated as follows:

CALCULATION OF REFUND—IF APPLICABLE

*Total of Self-Employed Earnings..... $_____

Total Salary and Wages..... $_____

Total—(Maximum $5,000) $_____

Deduct: Basic Exemption..... $ 600.00

Balance Subject to Contribution..... $_____

Required Employee's Contribution at 1.8%..... $_____

Deduct: Contribution per T4 and TP4 Slips..... $_____

Balance Refundable $_____

*This amount is not to be inserted unless the combined salary and wages and self-employed earnings amount to $800 or more.

Special instructions would be available to contributors to assist them in preparing the return if, during the year, they reached 18 or 70 years of age or died, etc.

APPENDIX A47

SUBMISSION

to

THE SPECIAL JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS CONSIDERING BILL C-136, THE CANADA PENSION PLAN

by

THE CANADIAN TEACHERS' FEDERATION
AND ITS AFFILIATES

February 1, 1965

444 MacLaren Street, Ottawa 4, Ontario

ORGANIZATIONS AFFILIATED WITH THE CANADIAN TEACHERS' FEDERATION

Newfoundland Teachers' Association

Prince Edward Island Teachers' Federation

Nova Scotia Teachers Union

New Brunswick Teachers' Association

Provincial Association of Protestant Teachers of Quebec

Provincial Association of Catholic Teachers (Quebec)

Ontario Teachers' Federation
- Ontario Secondary School Teachers' Federation
- Federation of Women Teachers' Associations of Ontario
- Ontario Public School Men Teachers' Federation
- Ontario English Catholic Teachers' Association
- Association des Enseignants franco-ontariens

Manitoba Teacher's Society

Saskatchewan Teachers' Federation

Alberta Teachers' Association

British Columbia Teachers' Federation

Northwest Territories Teachers' Association

This Submission includes:

1. AN INTRODUCTORY STATEMENT BY THE CANADIAN TEACHERS' FEDERATION
2. A JOINT BRIEF BY THE TEACHERS' ORGANIZATIONS IN THE ATLANTIC REGION
3. A BRIEF BY THE ONTARIO TEACHERS' FEDERATION
4. A JOINT BRIEF BY THE TEACHERS' ORGANIZATIONS IN THE WESTERN REGION

AN INTRODUCTORY STATEMENT

by

THE CANADIAN TEACHER'S FEDERATION

The Canadian Teachers' Federation is the national voice of its twelve autonomous affiliates. The total number of teachers thus represented is over 140,000—virtually all of the elementary and secondary teachers in the ten provinces and the Northwest Territories with the sole exception of the French Catholic teachers in Quebec.

CTF affiliates are strongly represented on the bodies which administer and advise on the pensions of their membership. In order for their representation to be effective, it has been necessary for our organizations to study continuously the adequacy of our various pension plans and to keep abreast of developments in the field of pensions generally. It is our sincere hope in making these submissions that the experience we have thus gained will enable us to make a positive contribution to the work of the Joint Committee.

By way of background, it may be useful to note that, although provincial pension plans for teachers have certain similarities, there are also marked differences. Generally speaking, the plans are of a compulsory joint-contributory type with the teacher contributing a predetermined percentage of salary and the provincial government—not the employing board—making a contribution which varies from province to province. No single principle is followed in determining the amount of retirement allowance, but it is generally based on some combination of service, salary and contributions. The predominant ages of retirement without penalty are within range of 60 and 65. Amendments to these plans have customarily been made only after full consultation with the teachers' organizations concerned. Through their representation on the bodies administering their plans, teachers have an effective direct voice in the management and control of their retirement funds, as well as in the consideration of any changes.

In late December, the Joint Committee notified CTF that it would accept submissions only from the national organization and regional groups of our affiliates, rather than from each individual organization. In the brief time available since we were advised of this decision, briefs have been prepared by the organizations in the Atlantic Provinces and in the Western Provinces, and by the Ontario Teachers' Federation in the Central region. The intention of Quebec to opt out of the national plan has been made very clear and so, although the Quebec affiliates were consulted by OTF, they are not co-authors of the brief from the Central region.

The three regional submissions may be found in the pages following these introductory remarks by the Canadian Teachers' Federation. The similarities and differences between our provincial pension plans for teachers are reflected in these briefs and illustrated in the major points they raise, which may be summarized as follows:

1. All three briefs show a professional concern over the fact that the Canada Pension Plan, in its present form, would penalize those who seek to continue their education past age 18. The Atlantic and Ontario briefs recommend that years of full-time education in a recognized institution be deducted from the contributory period when computing the pension. (OTF adds that wage-earners under the age of 18 should also be expected to contribute.) The Western brief suggests that the situation could be improved by increasing the "drop-out" for those continuing their education and makes specific suggestions about the amount of adjustment.

2. All three briefs show concern over the complications for local school boards which could result from the stipulations of C-136 regarding collection of contributions, the keeping of records and the remitting of employer and employee contributions. All three recommend that some arrangement be made for the provincial government to make the employer's contribution on behalf of the school board and the Western brief suggests that, at the very least, refunds of excess payments should be provided for employers as well as employees.

3. The Atlantic and Ontario organizations recommend that actuarially reduced pensions be made available to those who retire before age 65.

4. The Ontario and Western briefs show concern for teachers and others who work for a period of time in a foreign country. It is recommended that these individuals be allowed to make contributions so that such periods of service could be counted as pensionable employment.

5. Certain provisions of C-136 regarding survivors' benefits are questioned in the Atlantic and Western briefs. The Atlantic organizations recommend that survivor benefits be extended to cover all who are classed as dependents under the Income Tax Act. The Western organizations recommend that, on the death of a contributor with no dependents, all contributions be refunded to the estate or beneficiary.

6. The Ontario Teachers' Federation, having consulted spokesmen for their members who are in religious orders, recommend that clear provision be made for the inclusion of these teachers under the Canada Pension Plan. They also seek clarification of the status of teachers with regard to the exclusion provisions for those employed by an agent of Her Majesty in right of a province.

7. The Ontario brief seeks clarification of the situation of teachers who are paid on a ten-month basis, the fear having been expressed that such individuals might be penalized by losing two months per year in the calculation of benefits.

8. The Atlantic brief specifically recommends that all interested parties be consulted prior to the finalizing of regulations under, or amendments to, the Act. It further requests that the Canadian Teachers' Federation be represented on the Advisory Committee on the Canada Pension Plan, a request that would appear to be endorsed by the concern expressed by the other two briefs.

From our experience with our own pension plans, teachers' organizations know that a full understanding of specific points such as those referred to above can only be achieved through an understanding of the principles which are fundamental to the plan concerned. In the short time available, it has not been possible for us to achieve a clear understanding of some of the fundamental principles of the Canada Pension Plan as outlined in Bill C-136. We are anxious not only to gain this understanding, but also to convey it to our members in order that they may view the plan in its proper perspective. We would, therefore, be grateful for any observations the Committee would care to make on the questions listed below:

1. What factors have convinced the Government that this partially funded contributory plan is a better answer to our needs than the increased provisions under the Old Age Security Act which have been recommended in a number of other submissions to the Committee?

2. In view of the emphasis that has been placed on portability—a feature which all of our teachers' organizations would heartily endorse—why have provinces been permitted to opt out of the plan, thus raising the possibility of reduced portability due to the constitutional obstacles in the way of the Federal Government exerting any control over the provincial plans thus evolved?

3. Why are the requirements for opting out restricted to comparable *benefits,* with no stipulations being made about such features as contribution rates, levels of basic exemption or contributory years?

4. Why are opted-out provinces to be permitted to have a weighted vote according to their population on any amendments to the Canada Pension Plan which may subsequently be proposed?

5. Why are the provinces to be allowed in effect to veto decisions of Parliament with regard to amendments to the Canada Pension Plan?

6. Why is it necessary to delay proclamtion of approved amendments for at least two years?

7. Why are the provisions for dispensation of information collected in the course of administering the Canada Pension Plan (Section 107(3)) so much broader than those customarily made under other taxation lgeislation?

In closing we wish to reiterate that, in making this submission, we have no purpose other than improvement of the proposed national pension plan so that it may more appropriately serve the public interest. Naturally, we have some concern about our own pension plans, for even where they are to be integrated with the CPP it seems apparent that we could very well lose our direct voice in the portion of the integrated plan that is represented by the CPP. This voice is one that has been dearly won and jealously guarded by our profession. We trust that after the Canada Pension Plan has become a reality, the Government will lend a sympathetic ear to any request from our profession for representation on the Advisory Committee referred to in Section 117.

We are grateful for the opportunity that has been made for our profession to present its views on C-136. We sincerely hope that the observations and recommendations made in the course of these submissions from the Canadian teaching profession will receive serious consideration when, first the Committee, and later Parliament, re-examine the Bill with a view to improvement before it is finally passed.

Respectfully submitted,

THE CANADIAN TEACHERS' FEDERATION
A. George MacIntosh, President.

SUBMISSION TO THE SPECIAL JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS

on

THE CANADA PENSION PLAN

by

THE TEACHERS' ORGANIZATIONS IN THE ATLANTIC REGION

The teachers' organizations of the four Atlantic Provinces welcome the opportunity to present a brief to this important committee. Teachers' organizations have had a long history of concern for the security of their members and have spent much time, effort and expense on establishing and improving their own pension plans. Although we do not claim to be experts, we do feel that we are knowledgeable in pension matters. We recognize that those who have no contributory private pension plans need security. We further recognize that the provision of pensions as a form of social security for the aged is a worthy and worthwhile endeavour. However, we do have serious reservations about some aspects of the national pension plan presented in Bill C-136.

We believe that a national pension plan should in no way jeopardize existing pension plans. The teachers in the Atlantic Provinces have succeeded over a period of years in negotiating, with their respective provincial governments, pension plans providing benefits which on the whole compare favourably with those in the civil service and in larger industries. We have little need for the type of plan proposed. If, however, such a plan is deemed necessary for the welfare of other citizens, we are prepared to accept it. Nevertheless, we are fearful that the establishment of the Canada Pension Plan could result in a loss of benefits to those who have been successful in establishing and improving private pension plans. Consequently, we urge careful consideration of the Bill, since the actuarial studies supporting the Canada Pension Plan indicate that over the years costs will rise. This could well result in an increasing diversion of funds from private plans to the Canada Pension Plan. In such an event, private plans would be faced with the alternative of reducing benefits or increasing contributions.

Certain features of C-136 have caused us a different kind of concern. As teachers we have a professional interest in the quality and effectiveness of public education. Some clauses in the Bill appear to discourage Canadian citizens from continuing their formal education beyond 18 years of age. Surely, this is not in the public interest. Other clauses could well weaken the delicate structure of school finance by putting new pressures on school board budgets.

It is essential, then, that the four teacher organizations, representing virtually all elementary and secondary teachers in the Atlantic area, re-emphasize at this time that the implementation of a Canada Pension Plan must not in any way threaten:

1) the welfare of Canadian education;
2) the benefits now available to teachers under the provincial plans currently in operation;
3) the voice which teachers now have in pension decisions.

Having made these general observations, may we direct your attention to certain features of Bill C-136. We shall deal with five major points.

1. Consideration for Continued Education

First of all, we are concerned about the age at which citizens must begin participation in the plan; that is, eighteen. Recently the Economic Council of

Canada and numerous economists have been stressing the importance to the Canadian economy of increasing the level of education of Canadian citizens. Is it not reasonable to suggest that if our citizens are to become better educated they must spend a longer period at university or in other forms of post-secondary and advanced education? This is particularly true of teachers whose preparation, according to the second Canadian Conference on Education, should include a minimum of four years of academic and one year of professional training beyond the secondary level. It would appear that the Canada Pension Plan is designed to offer security to school drop-outs and to those who enter the labour force immediately on graduation from secondary school, and to penalize teachers and others who continue their education.

We therefore recommend that all years of full-time attendance at a recognized educational institution be deducted from the contributory period as defined in Section 49, and excluded as a factor in the determination of the retirement pension. This would mean that for any such individual the contributory period would be shorter than stipulated under Section 11, but that the 10 per cent drop-out stipulated under Section 48(3)(a) would still be applicable within this shorter period.

2. Retirement Before 65

Teachers' pension plans now in effect in the Atlantic Provinces permit a teacher to retire on a full-service pension at age 60 and, in some cases, even earlier. We understand that there are similar pension provisions in other occupations. We believe that the Canada Pension Plan should in no way discourage these persons from taking advantage of this opportunity for earlier retirement. We also believe it should be possible for these persons to elect to take an actuarially reduced pension under the Canada Pension Plan at the same time as they retire on a service pension under their provincial or private plan.

We therefore recommend that an additional category be provided in Section 44(1) of C-136 to enable persons to retire before age 65 with an early actuarial equivalent.

3. Dependents' Benefits

Existing teachers' pension plans and a number of other private plans now provide benefits to a broad range of dependents of contributors or of pensioners who die. The exemption clauses of the Income Tax Act also recognize that many kinds of dependents must be provided for. We believe that C-136, in limiting its survivors' benefits to orphans, is unnecessarily restrictive. In many families there are dependents such as the mentally or physically infirm, and the non-educable.

We therefore recommend that Section 44(1)(f) and related sections be amended so that survivor benefits will cover all dependents as defined under the Income Tax Act.

4. Provincial Payments on Behalf of School Boards

The 1963-64 DBS Report on Salaries and Qualifications of Teachers in Public and Elementary Schools gives the total number of teachers in the four Atlantic Provinces as 19,949. It also indicates that, of this number, 3,175 or 15 per cent were earning salaries in excess of $5,000. Some of these teachers whose earnings exceed $5,000 receive their remuneration from two or more school boards. They may be paid by a regional board, a town board, and a municipal board, all at the same time. Bill C-136 would seem to require each of these boards to make the stipulated 1.8 per cent deduction from the teacher's salary and to contribute a like amount from its own budget.

Many of the teachers in this group earning over $5,000 also resign at the end of the school term in June and accept another position starting in

September, frequently in an altogether different area of the province and under a new employing board. Under these circumstances, and as a result of the difference between the school year and the calendar year, each of these teachers will have more than one employer in the contributory year. Because the salary of the teacher is in excess of the ceiling for maximum pensionable earnings (initially $5,000) the deductions for both the board and the teacher will exceed the required payments. While the teachers may reclaim their overpayments, the lack of a similar provision for school boards will mean that, in addition to the required 1.8% contribution, a board will be contributing to the Canada Pension Plan additional sums which could otherwise be used to support and improve its educational program.

We submit that this injustice can be remedied by allowing the provincial government to make payments on behalf of school boards.

We therefore recommend that Section 9 of C-136 be amended to enable a province to make payments on behalf of local employing boards *or* that Section 91 be amended to include or permit a regulation allowing a province to make payments on behalf of local employing boards.

5. Consultation and Representation

It is to be expected that the enactment of national pension legislation will be followed from time to time by considerations of, and proposals for, changes in the Regulations (Section 91) and amendments to the Act (Section 115), involving revisions in existing rates of contributions, benefits, and administrative procedures. We believe that when any change is being considered and before any regulation or amendment is finalized, the Government should give all interested parties an opportunity to present their views. While such a provision cannot be written into an Act, it is hoped that the Government will adopt this procedure which would guarantee consultation before action.

We also believe that the teachers of Canada through their national organization, the Canadian Teachers' Federation, should be represented on the Advisory Committee. Section 117 of C-136 outlines the duties of the Advisory Committee as follows: "to review...the adequacy of coverage and benefits under the Act". We assume that the Government will include on this Committee representatives of organized labour and other large national bodies. The teachers of Canada, themselves, form a substantial group not included in any other national group.

Therefore, we recommend that the Governor in Council give consideration to appointing a representative of the Canadian Teachers' Federation to the Advisory Committee.

SUMMARY OF RECOMMENDATIONS

In summary the teachers' organizations of the four Atlantic Provinces recommend:

1. That all years of full-time attendance at a recognized educational institution be deducted from the Contributory Period as defined in Section 49, and excluded as a factor in the determination of the retirement pension.

2. That an additional category be provided in Section 44(1) of C-136 to enable persons to retire before age 65 with an early actuarial equivalent.

3. That Section 44(1)(f) and related sections be amended so that survivor benefits will cover all dependents as defined under the Income Tax Act.

4. That Section 9 of C-136 be amended to enable the province to make payments on behalf of local employing school boards, *or* that Section 91 be amended to include or permit a regulation allowing a province to make payments on behalf of local employing boards.

5. That when any change in C-136 is being considered, and before any regulation or amendment is finalized, the Government give all interested parties an opportunity to present their views.

6. That the Governor in Council give consideration to appointing a representative of the Canadian Teachers' Federation to the Advisory Committee on the Canada Pension Plan.

Respectfully submitted by:

The New Brunswick Teachers' Association
(Mr. E. M. Lynch, President)

The Newfoundland Teachers' Association
(Rev. Bro. A. F. Brennan, President)

The Nova Scotia Teachers Union
(Miss Florence I. Wall, President)

The Prince Edward Island Teachers' Federation
(Mr. Thomas Hall, President)

SUBMISSION TO THE JOINT PARLIAMENTARY COMMITTEE
on
THE CANADA PENSION PLAN
by
THE ONTARIO TEACHERS' FEDERATION

The Canada Pension Plan as embodied in the provisions of Bill C-136 raises a number of difficulties and complications for Ontario teachers. Many of these can be overcome by appropriate changes in the Ontario Teachers' Superannuation Act, but in a number of areas, the Federation believes that changes in Bill C-136 would be desirable, not only because of their effect on members of the Federation but also in order to make the Canada Pension Plan a more satisfactory and equitable social program for all Canadians.

Specifically, the Federation proposes that

(*a*) certain changes be made in the "dropout" provisions now contained in section 48 of the Bill;

(*b*) the definition of "contributory period" in section 49 of the Bill be changed to delete any reference to age 18;

(*c*) provision be made for the commencement of benefits on a reduced rate at an earlier age than 65;

(*d*) section 6(2)(e) be deleted or amended to make it clear that teaching members of religious orders may contribute to the Canada Pension Plan and receive benefits;

(*e*) the intention of sections 6(2)(i) and 7(1)(e) in their effect, if any, upon teachers, be clarified and that some assurance be given that teachers employed by foreign governments under such programs as Overseas Aid will be permitted to continue contributing to the Canada Pension Plan during such employment;

(*f*) that certain administrative provisions of the Bill or proposed administrative arrangements for the collection of contributions be modified.

Section 48(3) provides that in the calculation of pensionable earnings, 10% of the contributory period with the lowest earnings shall be excluded. The Federation believes that there are circumstances where a higher proportion would be proper, e.g. a contributor who ceases contributing temporarily in order to further his education or improve his professional or vocational qualifications through training or retraining programs; or a contributor who is sufficiently disabled by illness or injury as not to be able to pursue his regular occupation, but who nevertheless does not qualify for disability benefits under the Canada Pension Plan, either because he is able to earn something from part-time work or work in some other occupation, or because the nature of his disability is otherwise not such as to qualify him for Canada Pension Plan disability benefits.

The Federation, therefore, proposes that the "dropout" proportion be increased from 10% to 15% or even 20%. This should help to remove the unfair hardship on many cases of "partial" disability which would result from the 10% provision. At the same time, it would diminish the possible disadvantage of the present dropout provision to workers, business men and professional people who, frequently from necessity as much as from choice, forego their regular earnings for a period of further education or training.

The Federation's second proposal is that section 49 of the Bill be changed so that the contributory period of a contributor will begin on January 1, 1966 or at the time he first makes a contribution (irrespective of his age at that time), whichever is later. As a corollary of this proposal, section 11(1) would be amended to remove the exception made there from contributory salary and wages of income received before a contributor reaches age 18. The use of age 18 for the commencement of the contributory period for future contributors seems somewhat arbitrary, and definitely works to the disadvantage of those who delay their entry into the labour force in order to complete or improve their education and/or professional qualifications. Again, with the increasing importance of education to the country's welfare and the increasing value to the country of a well-educated citizenry, it would be unfortunate if any provision of the Canada Pension Plan operated to discourage individuals from obtaining all the education and vocational training they could profitably absorb. On the other hand, there seems no logical reason to exclude from participation in the plan those who do enter the labour force before age 18.

An even more direct way to overcome the disincentive to forego earnings for further education would be to provide in the act that anyone "in full-time attendance at a school or university as defined by regulation" (to borrow a definition from section 43 of Bill C-136) be permitted to add such period of attendance to the "dropout" period provided in section 48(3). This would be helpful for both the initial period of education where it extends beyond the beginning of the contributory period (however defined) and in those cases where a contributor returns to school or university later in life for further education.

The Federation's third proposal is to make retirement benefits available in a reduced amount at an earlier age than 65. Such benefits would still be subject to the retirement test up to age 70 and could be granted to any contributor meeting the minimum qualifying period for a disability pension, as defined in section 44(2). Election of the early retirement benefit would disqualify the contributor for any subsequent disability benefits. The principle of reduced benefits on early retirement is already implicit in the proposals to make the flat-rate payments under the Old Age Security Act available at any time after age 65 but in a reduced amount if such payments begin before age 70. In fact, if early retirement benefits were to be permitted under the earnings-related Canada Pension Plan after, say age 60 or age 62 (as in the United States Social Security program) a logical corollary would be to pay Old Age Security payments, at the contributor's option, from the same age on the basis of reductions from the $51 per month available at age 65.

The reason for making early retirement benefits available before age 65 is that for a substantial number of contributors, retirement will come in the normal course of events not at 65 but at some earlier age. Many teachers are already subject to compulsory retirement by local school boards at ages earlier than 65. Quite conceivably, the proportion of contributors in this position will grow in future as the impact of automation on retirement practices increases. Ideally, full retirement benefits should be made available under such circumstances, but because of the heavy cost of reducing the "normal" retirement age under the Canada Pension Plan and because age 65 is still at present probably the commonest "normal" retirement age, the much less costly proposal of early retirement benefits at a reduced rate is all that is practicable.

Fourthly, the Federation requests that section 6(2)(e) be deleted or amended. This provision excludes from participation in the Canada Pension Plan "employment of a member of a religious order who has taken a vow of perpetual poverty and whose remuneration is paid either directly or by him

to the order". The teaching members of religious orders who are members of the Federation have asked that it be made clear to the joint parliamentary committee that they do not want to be excluded from participation in the Canada Pension Plan. Possibly these teaching members could be included by regulation under section 7(1)(g) but in any event the Federation would like to have some assurance that participation in the Canada Pension Plan will be open to them.

A further problem in connection with participation by teaching members of religious orders may result from the definition in section 11(1) of contributory salary and wages. This definition refers to the Income Tax Act. Although income tax may not be paid by a teaching member of a religious order, he is a contributor to the Ontario Teachers' Superannuation Fund. His contribution is based on the salary paid by a school board to him or his religious community. The Federation asks that provision be made for those members to contribute to the Canada Pension Plan.

Fifthly, the Federation would like clarification on two questions affecting participation of teachers in the Canada Pension Plan. First, section 6(2)(i) provides that "employment by Her Majesty in right of a province or by an agent of Her Majesty in right of a province" is excepted employment although section 7(1)(e) provides that the province may make an agreement with the Governor-in-Council to include such employment as pensionable employment. Without taking any position on the question, the Federation would like some clarification as to whether these sections are to be interpreted as meaning that teachers employed by local school boards may only participate in the Canada Pension Plan if the province in which they are employed makes a special agreement therefor with the Governor-in-Council. The second question above coverage relates to teachers employed temporarily by foreign governments under such programs as Overseas Aid. It appears from section 7(2)(b) that it is intended to make regulations excepting such employment from pensionable employment. If this were done, the definition in section 49 of "contributory period" appears to have the result that such a period of excepted employment would simply be counted as a period of zero earnings. This penalty to participants in programs like Overseas Aid seems patently unfair, and the Federation, therefore, urges that arrangements be made to have such employment included in pensionable employment.

The Federation also has objections to certain practical or administrative features of the plan. According to the statement of the Deputy Minister of National Revenue before the joint parliamentary committee, contributions are to be on a "first earnings" basis, that is, a contributor's contributory income will not be rated over the year but contributions will be made on the first $5,000 earned in the year, so that contributions for a person earning, say, $1,000 per month will be made for the first five months of the year with nothing thereafter unless he moves to another employer, in which event he must start contributions afresh and claim a refund of any overpayments. This arrangement seems to be designed mainly for the convenience and protection of the plan and its administration, notwithstanding its inconvenience and unfairness to contributors. While the arrangement proposed may be the only feasible one for contributors with volatile earnings (such as salesmen on commissions and construction workers) it does not seem fair to impose it on contributors in salaried employment. The Federation, therefore, urges that arrangements be made for spreading contributions across the whole year for contributors in salaried employment instead of concentrating them on the first earnings up to the maximum amount. Also, the Federation is concerned with the possible effect of the "dropout" provision on teachers whose salary is paid on a ten-month basis. Since the dropout applies to the *months* of lowest earnings, it

appears that such teachers would use up their entire dropout in disposing of the two months each year in which they have "zero" earnings. Such an interpretation is somewhat arbitrary, since a teacher might in fact be continuously employed by the same employer for many years and it would only be because that employer is required by provincial law to pay the year's salary over ten months instead of twelve that the teacher would be considered as having any months of zero earnings. It should not be beyond the ingenuity of the legislators and those administering the plan to devise some means of preventing this unfair hardship on teachers in this position.

Lastly, the Federation believes that the provisions of Bill C-136 for the collection of contributions is unduly cumbersome and complicated as it would operate for school boards and teachers in Ontario. Under the Ontario Teachers' Superannuation Act, both employer and employee pension contributions are withheld by the provincial government from its grants to the school boards, and the amounts so withheld are then transferred to the pension fund. The Federation believes that if some similar arrangement could be made for contributions under the Canada Pension Plan on account of Ontario teachers, it would be far more satisfactory to all concerned than having the respective school boards make deductions and report contributions directly themselves. This will be even more true if amendments to the Ontario Teachers' Superannuation Act are enacted calling for some form of integration of contributions with Canada Pension Plan contributions. However, such arrangements do not seem to be permissible under section 22 of Bill C-136, and the Federation, therefore, suggests that this section be amended to permit, by regulation, such arrangements for the remittance and reporting of contributions as may be agreed to by the Minister, the employers and the provincial government.

Respectfully submitted,

The Ontario Teachers' Federation

January 22, 1965

SUBMISSION TO THE SPECIAL JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS

on

THE CANADA PENSION PLAN

by

THE TEACHERS' ORGANIZATIONS IN THE WESTERN REGION

Introduction

In making this submission the professional organizations of the teachers of the four Western Provinces of Canada recognize that Bill C-136 is intended to provide a comprehensive program of old age pensions and supplementary benefits for all the people of Canada. Consequently, our suggestions, while they refer to teachers and conditions under which teachers are employed, are, in our opinion of equal concern to many other groups of people and individuals in Canada. The following recommendations are put forth in a sincere belief that their incorporation into Bill C-136 at the time of enactment would make the Canada Pension Plan more equitable for all those who will contribute to it:

1. We believe that the number of "drop-out years" allowed in Subsection 3 of Section 48 in calculating "average monthly pensionable earnings" is too limited. At present, many people must take lengthy periods of training and indications are that longer periods of training for a greater percentage of the work force will be required in the future. Again many find they cannot continue working to age 65 for various reasons. Furthermore, many people 35 years of age or over as of January 1, 1966 will find it relatively easy to qualify for maximum pension at age 65 by contributing for 10 to 27 years depending on present age. People who are 18 years of age or less will find it increasingly difficult to qualify for maximum pension either because of many years spent in training or because of many years of low salary in their early earning years. The inequity that we are concerned with in this paragraph could at least be partially removed by making it possible to deduct up to 20% of the total number of months in the contributory period, or at least allowing deduction of 10% of the total number of contributory months and a further deduction for a limited period of time spent in educational institutions when calculating "average monthly pensionable earnings". If a 20% deduction is considered too great in the early years of operation of the plan, 10% might be allowed for those qualifying for pension during the first years of operation increasing to the full 20% for those who qualify at age 65 some 45 years hence. It seems completely wrong to be requiring periods of training of increasing length and at the same time to be penalizing the person who takes such training by reducing the pension he can anticipate under the Canada Pension Plan.

2. It would appear that under Section 55 and with the commencing "year's maximum pensionable earnings" set at $5,000, the corresponding maximum death benefit becomes $500. Almost all private and government pension plans now provide for a refund of all contributions upon the death of the contributor. It would appear that where a deceased contributor leaves no one eligible to receive an allowance, the most that would be refundable would be $500 (some seven years of contributions at maximum level) and any additional contributions would not be returned to the beneficiary or estate of the deceased contributor. This seems to be in complete violation of commonly accepted practice in contributory pension plans. Furthermore it would appear that this is a loss for participants that would be most difficult to avoid when integrating private or government administered pension plans with the Canada Pension Plan. We

respectfully recommend that, where a contributor to the Canada Pension Plan dies leaving no dependant to receive an allowance, the entire amount of his contributions be refunded to his named beneficiary or his estate.

3. Some concern is evident among teachers and school boards regarding the method of collecting and remitting Canada Pension Plan contributions. Since teachers' contracts almost always commence at July 1 or September 1 and since, as a consequence, a great many teachers accept employment with a new school board in mid year, it is likely that such teachers will pay in the calendar year considerably in excess of the required contributions and that school boards collectively will remit excess amounts annually. Bill C-136 makes provision for a refund to the teacher but fails to make provision for any refund to the employer. In effect, the employee in these cases—or, in fact, the whole group of employees—is likely to be burdened with part or all of the penalty of overpayment by the employer, since he will probably seek to compensate for or recoup the greater portion of contributions made by him to the Canada Pension Plan by resisting justifiable increases in salaries of employees. We recommend that provision be made in Bill C-136 for refunds of excess contributions to employers as well as to employees. An alternative procedure which might be provided for, where teacher plans are government administered, would be to have government make the required employer contributions on behalf of school boards.

4. We also have some concern regarding the clauses of Section 7. Many technicians and professional people accept temporary employment in foreign countries. Frequently, they do so under an agency or department of the Government of Canada or under sponsorship of some International Organization such as Unesco or the International Labour Organization. We would recommend that Section 7 be strengthened to provide that such people be given an established right to have such periods counted as pensionable employment, subject to payment of the required contributions. When it is so urgent that we use every possible means of improving international understanding we should take every possible step to see that the people who undertake goodwill assignments do not suffer any loss of rights as Canadian citizens.

Conclusion

While the interests of members of the teaching profession are naturally uppermost in our minds in making this submission, we sincerely believe that the recommendations we have made above would be in the best interests of Canadians generally. We are not seeking any special privileges for the members of our profession. We sincerely believe that the recommendations made herein would strengthen the Canada Pension Plan and make it more equitable for all. We trust that our suggestions will receive the careful and earnest consideration of the Committee, as merited by a matter as important as the Canada Pension Plan.

This statement has been prepared by the Saskatchewan Teachers' Federation in consultation with the teachers' organizations of the other three Western Provinces and is respectfully submitted on behalf of:

The Manitoba Teachers' Society
(Miss E. F. Redmond, President)

The Alberta Teachers' Association
(Miss L. J. Scott, President)

The British Columbia Teachers' Federation
(Mrs. I. A. Cull, President)

The Saskatchewan Teachers' Federation
(Mr. R. A. Richert, President)

APPENDIX A48

SUBMISSION OF THE CANADIAN CONSTRUCTION ASSOCIATION TO THE SPECIAL JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS CONSIDERING BILL C-136, THE CANADA PENSION PLAN

December, 1964

Construction House, 151 O'Connor St., Ottawa, Canada.

1) *Introduction*

The Canadian Construction Association welcomes the opportunity to advise this Committee of the two Houses of the special problems which implementation of Bill C-136 will create for employers in Canada's largest single industry—Construction.

The Association, officially recognized for almost fifty years by the Federal Government as one of the four most representative employers' organizations, speaks for a direct membership of over 1,000 leading firms and more than 10,000 construction enterprises through over seventy affiliated local and regional construction associations.

Our industry operates in all sections of the nation and all parts of our vast country. In 1964 the value of construction put in place will likely have reached $8.6 billion and estimates for 1965 indicate a volume well in excess of $9 billion. This activity provides on-site jobs for a year-round equivalent of about 600,000 Canadians and for an even larger number off-site.

On-site employment conditions in our industry have often been described as unique by industrial relations specialists inasmuch as they are normally governed by the rare combination of these three factors:

(*a*) Constant employee mobility from one employer to another,

(*b*) Constant employee mobility between locations of work sites—often many miles apart, and

(*c*) Traditional organization of employees on craft lines rather than on an industry basis.

These circumstances thus create some unusual requirements in any pension plan to be applied to our industry.

2) *National Portability*

The Canadian Construction Association considers it absolutely essential that governmental and any other contributory pension plans provide for complete country-wide portability. As already indicated, our labour force must be continuously mobile across all parts of Canada. Non-portable pension plans will inevitably restrain such worker mobility and thereby retard somewhat the rate of economic growth of our country so largely dependent on construction. The Association therefore welcomes the built-in, nation-wide portability of pensions provided by Bill C-136. It hopes that it will be possible for this important feature of the plan to be retained as an essential one.

3) *Contributions*

Your Committee has already been made aware of the fact that Bill C-136 appears to contain an inequity regarding the manner of contribution by em-

ployers as against employees to the plan. We refer here to the contemplated procedure regarding refunds. This is inequitable since it offers all employees an opportunity to have overpayments refunded, but fails to do so to employers in cases concerning employees who have worked for more than one employer in the course of any given year. We have noted with concern that Section 9 of the Bill (governing amount of employer's contribution) fails to parallel that of Section 3 (governing amount of employee's contribution) inasmuch as it lacks the provisions for defining "Overpayment" as given under Sub-section (2) of Section 8, even though Sub-section (3) of Section 39 does provide for refunds of overpayments to both employers and employees.

According to the Dominion Bureau of Statistics 1961 Census, incomes of construction employees in many parts of Canada are now often well in excess of the yearly maximum pensionable earnings of $5,000—above which no further contributions are required by employer or employee. (See Sections 15 to 19). As already stated, rather extreme mobility of construction employees between different employers in the course of any given year is a requirement of the industry. Under these circumstances, construction employers under the present provisions of Bill C-136 will encounter serious difficulties in knowing at what point any of their employees may have reached his year's maximum pensionable earnings. Similarly, difficulties would be experienced regarding the basic annual exemption of $600. As a result, many employers in our industry will have no option but to make contributions over and above those envisaged and justifiable under the concept of the Plan for equal employer and employee contributions.

Construction employers have a decided interest in the welfare of their employees and in principle fully support the concept of a national contributory portable pension plan. They therefore object to any plan which has the effect of turning their contributions into a "Tax" since this is the true effect of the inequitable refund procedure.

It is understood that the Department of National Revenue will exercise its financial control over contributions in combination with its administration of the Income Tax Act. In these circumstances, we would therefore respectfully urge that Bill C-136 be amended on the recommendation of this Committee to provide for the automatic annual refunds to all employers, as well as to employees. To employers these refunds should be paid on a proportional basis when several are concerned with the same employee in any given year. Such a change would guarantee the concept of equal contributions on the part of both groups of contributors, would eliminate the need for making and processing refund applications and would seem to be a fair task to be assigned to a highly sophisticated computer system. We would further urge that the annual basic exemption be eliminated.

4) *Protection of existing plans*

The Canadian Construction Association gives it fullest support to freedom of enterprise. In consequence, it believes that in all those instances where employees are already covered by existing contributory portable pension plans offering equivalent benefits, an opportunity should be provided to offer these employees and employers an option between participation in a governmental portable contributory pension plan and the continuance of the existing plan to avoid the possibility of being faced with total pension contribution payments in excess of that required in the proposed legislation. Such an option would clearly be guided by which plan offered the better protection. It would, moreover, likely avoid many of the difficult integration problems facing existing plans. This point is raised because our industry already operates a few portable, but very sizeable contributory pension plans which should be given the choice to "Contract out". This change would become feasible if the indexing features were eliminated and the transition period extended over 20 years.

Better still, perhaps, such a choice might be granted generally, as is the case in the United Kingdom under its plan. In this manner, truly competitive conditions would be created for the benefit of the general public and the maximum administrative efficiency of all plans would best be assured.

5) *Benefit overlap and duplication*

Several benefits to be provided under Bill C-136 could duplicate or overlap similar ones already payable under existing compulsory government-operated Workmen's Compensation Acts. These circumstances have already been reviewed in past federal-provincial discussions on this Bill and it is understood that amendments to those other Acts have been agreed upon to provide for their respective integration with the new and similar benefits to become available under the Canada Pension Plan. Our Association considers it desirable that your Committee assure full public clarification of this matter before it submits its report.

6) *Summary of recommendations*

It will be noted that this submission takes a decidedly positive approach to Bill C-136 and only deals with those aspects of the proposed plan which are of direct concern to construction employers. In summary, these recommendations are:

(*a*) Retention of Canada-Wide portability feature of any contributory pension plans,

(*b*) Provision for automatic annual refunds to both employees and employers of any overpayments by them, and elimination of the annual basic exemption,

(*c*) Offer of an option to "contract out" to existing portable, contributory pension plans, and preferably also to all employer-employee units, able to obtain equivalent benefits at lesser cost. Elimination of indexing features and extension of the transition period to twenty years to make this feasible, and

(*d*) Earliest possible public clarification regarding the integration of certain benefits already being provided under existing compulsory government-operated plans such as Workmen's Compensation Acts.

It is sincerely hoped that these recommendations will commend themselves to the Committee.

All of which is respectfully submitted,

S. D. C. Chutter,
General Manager.

D. H. Jupp,
President,

(Meetings held after adjournment of the House)

MINUTES OF PROCEEDINGS

TUESDAY, February 2, 1965
(46)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 10:05 o'clock a.m. this day. The Joint Chairman of the Senate section, Senator Fergusson, presided.

Members present:

Representing the Senate: Honourable Senators Blois, Boucher, Croll, Fergusson, Lefrançois, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh (8).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Cameron (*High Park*), Cantelon, Chatterton, Côté (*Longueuil*), Francis, Gray, Howe (*Wellington-Huron*), Knowles, Laverdière, Lloyd, Monteith, Munro, Prittie (15).

In attendance: Messrs. Wallace R. Joyce, F.S.A.; Edward Ruse, F.S.A.

Also in attendance: Mr. J. E. E. Osborne, Technical Adviser to this Committee.

The Joint Chairman invited Mr. Joyce to make a preliminary statement before being questioned thereon.

In accordance with a motion passed at a previous meeting, the brief of Mr. Wallace R. Joyce, F.S.A., is printed as an appendix to this day's Minutes of Proceedings and Evidence (*See Appendix A49*).

The Committee having completed its examination of the witness, the Joint Chairman thanked Mr. Joyce who retired.

Then Mr. Edward Ruse was called, made a preliminary statement and was questioned thereon.

Mr. Ruse's brief is appended to this day's Minutes of Proceedings and Evidence, in accordance with a motion passed at a previous meeting (*See Appendix A50*).

The examination of the witness being completed, the Joint Chairman thanked Mr. Ruse and he withdrew.

On motion of Mr. Lloyd, seconded unanimously,

Resolved: That a vote of thanks be extended to Mr. Ruse for his contribution.

On motion of Mr. Monteith, seconded by Mr. Munro,

Resolved unanimously: That the name of Mr. Aiken be substituted for that of Honourable Monteith on the Subcommittee on Agenda and Procedure of the Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan.

At 12:43 o'clock p.m. the Committee adjourned until 2:30 o'clock this afternoon.

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AFTERNOON SITTING
(47)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan reconvened at 2:33 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Blois, Boucher, Croll, Fergusson, Lefrançois, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh (8).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Côté (*Longueuil*), Francis, Gray, Howe (*Wellington-Huron*), Knowles, Laverdière, Lloyd, Munro, Prittie (16).

In attendance: Mr. Cuthbert Scott, Q.C., and *from The International Association of Fire Fighters:* Messrs. Bernard Bonser, Vice-President, Chairman, Pension Committee; Richard Chamber, International Representative; O. Bolton, President, Toronto Fire Fighters' Association; John Jessop, Vice-President, Toronto Fire Fighters' Association; Ernest Haché, President, Ottawa Fire Fighters' Association, Wes Chatterton, Vice-President, Ottawa Fire Fighters' Association.

The Joint Chairman introduced Mr. Bonser, who in turn, introduced the members of his delegation. Then Mr. Bonser made a preliminary statement before being questioned thereon, assisted by the other witnesses.

In accordance with a motion passed at a previous meeting, the brief submitted by the International Association of Fire Fighters is appended to this day's Minutes of Proceedings and Evidence (*See Appendix A51*).

The examination of the witnesses being concluded, the Joint Chairman thanked Mr. Bonser and his delegation, and they retired.

On motion of Mr. Francis, seconded by Mrs. Rideout,

Resolved unanimously: That a vote of thanks be extended to Mr. Bonser and his delegation from the International Association of Fire Fighters for their contribution.

Then Mr. Cuthbert Scott, Q.C. was called and examined.

In accordance with a motion passed at a previous meeting the brief submitted jointly by Chesapeake and Ohio Railway Company, Great Northern Railway Company, Midland Railway Company of Manitoba, New York Central Railroad Company, Norfolk and Western Railway Company, and Northern Pacific Railway Company is printed as an appendix to this day's Minutes of Proceedings and Evidence (*See Appendix A52*).

The examination of the witness being completed, the Joint Chairman thanked Mr. Scott, who retired.

On motion of Senator Croll, seconded by Mr. Knowles,

Resolved unanimously: That the charts used by Mr. Edward Ruse to illustrate his brief at this morning's sitting be annexed to Mr. Ruse's brief already authorized to be appended to this Committee's Minutes of Proceedings and Evidence of today (*See annexes Nos. 1 and 2 to Appendix A50*).

At 3:50 o'clock p.m., on motion of Mr. Cantelon, seconded by Mr. Lloyd,

Resolved unanimously: That the Committee adjourn until 10:00 o'clock a.m. on Wednesday, February 3, 1965.

WEDNESDAY, February 3, 1965.
(48)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 10:03 o'clock a.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Blois, Boucher, Croll, Fergusson, McCutcheon, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh (8).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Francis, Gray, Knowles, Laverdière, Lloyd, Macaluso, Munro, Prittie, Rhéaume (16).

In attendance: Dr. Joseph Willard, Deputy Minister of Welfare; Messrs. J. E. E. Osborne, Technical Adviser to this Committee; Tom Kent, Policy Secretary, Prime Minister's Office; D. Thorson, Assistant Deputy Minister of Justice; D. Sheppard, Assistant Deputy Minister of National Revenue; E. E. Clarke, Chief Actuary, Department of Insurance; and J. A. Blais, Director of Family Allowances and Old Age Security Division, Department of National Health and Welfare.

The Joint Chairman asked the Clerk of the Committee to read the Minutes of Proceedings of the Subcommittee on Agenda and Procedure meeting held on Tuesday, February 2, 1965:

SUBCOMMITTEE ON AGENDA AND PROCEDURE
MINUTES OF PROCEEDINGS

TUESDAY, February 2, 1965

SEVENTH REPORT

The Subcommittee on Agenda and Procedure of the Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 3:50 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present: Senators Fergusson and Croll and Messrs. Aiken, Cameron (*High Park*), Chatterton, Côté (*Longueuil*), Knowles, Munro.

In attendance: Dr. Joseph Willard, Deputy Minister of Welfare.

Your Committee agreed to the following decisions and recommends:

1. That the Subcommittee be authorized to prepare a draft report to be considered by the main Committee.
2. That the main Committee sit *in camera* on Thursday afternoon, February 4, 1965.
3. That the following briefs be printed as appendices to this Committee's Minutes of Proceedings and Evidence, namely:
   (*a*) The Senior Citizens' Advancement Committee. (*See Appendix A53*).
   (*b*) Age and Opportunity Bureau. (*See Appendix A54*).
   (*c*) United Fishermen and Allied Workers' Union. (*See Appendix A55*).

4. That the Communist Party of Canada be invited to submit its brief, as soon as possible in order that it be appended to this Committee's Minutes of Proceedings and Evidence.

Respectfully submitted,

A. J. P. Cameron (*High Park*),
Chairman.

On motion of Senator Croll, seconded by Mr. Chatterton,

Resolved unanimously: That the Seventh Report of the Subcommittee on Agenda and Procedure be adopted as read.

Mr. Chatterton moved, seconded by Mr. Aiken,

That the Committee request that the Royal Commission on Taxation be asked whether or not they are prepared to present a preliminary report on the implications of the Canada Pension Plan for fiscal policy and the incidence of taxation.

The Joint Chairman ruled that motion out of order.

Thereon, Mr. Chatterton moved, seconded by Mr. Aiken,

That the Government be requested to determine whether the Royal Commission on Taxation is prepared to submit a preliminary report on the implications of the Canada Pension Plan for fiscal policy and incidence of taxation.

The Joint Chairman ruled that second motion also out of order.

Then Dr. Willard was invited by the Joint Chairman to make a statement before being questioned thereon.

The Committee having completed its questioning of Dr. Willard and the other witnesses, the Joint Chairman thanked them and they withdrew.

At 12:30 o'clock p.m. the Committee adjourned until 2:30 o'clock p.m. on Thursday, February 4, 1965.

Maxime Guitard,
Clerk of the Special Joint Committee.

EVIDENCE

(Please note, that all the evidence adduced in French and translated into English was recorded by an electronic recording apparatus pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, on May 20, 1964.)

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mrs. Rideout and gentlemen, we have a quorum and I will call the meeting to order. One witness this morning is Mr. Wallace R. Joyce, originally from British Columbia, but who now makes his home in Toronto. Mr. Joyce is a Fellow of the Society of Actuaries. He graduated from the honour course in mathematics and physics at the University of Toronto. He has served as a member of the Ontario Welfare Council's committee on public welfare policy—economic needs and resources of old people. I know a very thorough study was done by this committee. For some years Mr. Joyce has been a member of the social security committee of the Canadian Association of Actuaries and at the present time is chairman of that committee.

Mr. Joyce, I presume after listening to some our hearings you realize we do not ask the person making a presentation to read the brief, but rather to summarize it if possible and then submit himself to questioning by the committee.

Mr. WALLACE R. JOYCE (*Fellow, Society of Actuaries*): Thank you, Madam Chairman.

My brief is a short one. Perhaps not a great deal of it is new, although I hope some of it may be presented to you in a slightly different way from some of the other material which has been placed before you. I venture to inflict my personal views on you because I have studied the matter considerably in my profession as an actuary.

Of course, you know an important part of an actuary's training has to do with pensions in one field and social security generally in another. I might have mentioned that currently I am the consultant to the education and examination committee of the Society of Actuaries on that phase of is examinations having to do with Canadian social security.

In the first part of my brief I make some comments on the actuarial report. I state why I think the intermediate cost figures might be chosen towards the high cost figures in the actuarial report rather than in the direction of the low cost, although the intermediate cost figures actually shown in that report in fact are weighted in the direction of the low cost figures. I point out one important omission in the actuarial report, or at least what to me seems to be an important omission. Bill No. C-136 includes a part IV which covers amendments to the Old Age Security Act, yet no estimate of the cost produced by this part IV has been included in the actuarial report. I feel it is important that parliament should know these costs when considering the bill.

I also suggest it would be very helpful to present total combined costs of federal pensions for the aged at the time the bill is being considered by parliament. I feel very strongly that the total costs of the plan are not well understood by the Canadian public, nor even by many members of parliament.

I do think this committee can perform an important function in bringing these costs to the fore in their deliberations and presentation to parliament. I specifically referred to the expression of the old age security costs as a percentage of payroll to give some relationship between the costs under the old age security plan and the proposed Canada pension plan. I suggested that the figures should be obtained from the government actuaries, but in the light of their previous actuarial report dated August 30, 1963, it appeared that the present $75 old age security benefit might cost something in the order of 5 to 7 per cent expressed as a payroll tax.

In the second part of my brief I suggest that the benefit structure of the Canada pension plan is poorly designed to meet the social needs in Canada. The principal benefits are granted to those best able to provide for themselves. The people who gained the most are those who are fully employed throughout normal working years at middle or high earning levels. Those earning lower wages benefit less. Those who have suffered periods of unemployment for whatever reason have their benefits sharply reduced. Many casual and low paid workers will receive nothing at all under the plan. The chief beneficiaries under the plan are today's wage earners at relatively high wage levels. The persons who need assistance most are those aged whose working years were in the low wage era of the depression years and the war years. Those already retired have had none or few of the good years in which to provide for their retirement. The provision they did make has been diluted by post-war inflation. I submit that these are the persons to whom the government should direct its assistance under a government welfare plan.

Then I point out that one of the reasons advanced for the Canada pension plan was the inability of the flat benefit old age security to meet the variations in cost of living between different regions in Canada. However, in my service on the Ontario Welfare Council committee I had a distinct impression from the welfare officials with whom I was in contact at that time that time that there were two particularly important areas in which a flat benefit did not help the particular needs. One of these areas was in the field of medical and nursing care costs which, of course, are matters of individual need; it depends upon the individual situation, and a wage related benefit does nothing to help in this matter. The other important area of divergence between different areas—urban and rural—or different geographic areas, was in rental or housing costs.

There may be some relationship between wage levels and the cost of housing, but it is not very direct. I am suggesting perhaps it might be much more appropriate to meet this major differential in need by some direct approach, possibly a specific social assistance provision. I particularly suggest that the actual income needs of the aged should be studied in depth so that the extension of social welfare in this area may be related to the real need. I recommend delay in implementation of the Canada pension plan until such a study has been made. I do not think this is too much to ask in a plan which promises to cost more than $500 million a year of taxpayers' money. I think the government has the facilities and means to produce essential statistics that would relate actual needs of the aged to the actual incomes that the aged in groups do possess. The basis of this study, I would hope, would enable plans to be designed that would more specifically meet the needs in these areas.

In the third part of my brief I suggest that the plan has basic instabilities which will invite political pressures unless these are removed. I know you have heard a good deal about this point. I do not condemn political pressures which have wrought much social justice, but I believe it is folly to introduce a plan which inherently contains the seeds of discontent. The public is quick

to sense injustice and will not tolerate obvious subsidies, unmerited either by social need or by personal contribution.

I note a reaction to the Canada pension plan proposals already has forced three recommended changes in the old age security structure. I wonder whether anybody here, after hearing the Ontario brief yesterday and knowing about the $25 monthly increase in old age security that already has been suggested in parliament, really believes you can get through another session of parliament without very strong pressure to increase the flat old age security by another $25 monthly? The Ontario proposal suggests that this might be provided under the Canada pension plan and some integration be achieved with this benefit which, in effect, would provide a certain minimum to everybody, and then the Canada pension plan would take over the wage related benefit for those people to whom it provides a benefit in excess of $25.

I firmly believe that parliament is going to be faced with adding a $25 old age security as a flat addition to the present old age security system unless something of the nature of the Ontario proposal is adopted.

I then go on to cite my personal situation in order to point up the fact that there are very important unjustified subsidies in this plan. I consider myself one of the well-off members of society, for I shall be getting a clear gift from the government of not less than $14,499 on the basis of the present proposal. This subsidy might be substantially increased by the effect of the pension index.

In other words, it is to my personal advantage to have the Canada pension plan introduced in its present form. But I feel strongly that this is not in the interest of Canada.

The final portion of my brief comments very briefly on the inequities in the Canada pension plan, and says that they are not temporary but are aggravated by the effect of the indexing benefits.

I wonder indeed if at any time in the foreseeable future the plan can really be secure in the sense that the retired individual may be subject to have actually paid in contributions which are the actuarial equivalent of his benefits, even interpreting actuarial equivalent in its greatest terms. I think it would be interesting to put this question to the chief actuary of the government.

I urge removal of the indexing feature in the Canada pension plan. I feel that it has no place in wage related benefits. I think there is a much better case for inserting a pension index or some other means of automatic adjustment in the flat benefit old age security. I believe that is all I have to say.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much, Mr. Joyce. I see that Mr. Chatterton has a question. Referring to the example you raised in your case, does it take into consideration the supplementary benefits?

Mr. JOYCE: No. I am speaking strictly of the old age pension benefits.

Mr. CHATTERTON: It would be much greater if you considered the supplementary benefits, would it not?

Mr. JOYCE: Yes.

Mr. KNOWLES: You want the idea of both benefits, that is, of the added benefits also?

Mr. JOYCE: No.

Mr. CHATTERTON: Normally you would have to consider only the supplementary benefits.

Mr. JOYCE: Yes. My example was rather simplified. I did not take it into account, and I really did not take into consideration present values. I took in merely contributions in and payments out.

The CHAIRMAIN (*Hon. Mrs. Fergusson*): Is that all?

Mr. CHATTERTON: Yes.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Now, Mr. Lloyd.

Mr. LLOYD: I do not know why I react to this constant reference of what is called clear gifts or windfalls by so many actuaries in criticizing the plan. They all seem to want to measure the benefit structure of the Canada pension plan in terms of an actuarially calculated fund.

I notice you do the same thing here, and to use your own words:

> This represents a clear gift from the government (or rather from future taxpayers in the Canada pension plan) of not less than $14,499.

This is in the instance which shows the illustration.

Mr. JOYCE: Yes, sir.

Mr. LLOYD: Now, are you suggesting that if the government is going to enter the field of social insurance it should do so purely with an actuarially funded operation?

Mr. JOYCE: I suggest that the windfall is going to the wrong persons, the persons who do not need it. This is the point of my illustration, I believe.

Mr. LLOYD: There are no windfalls in this category of private pension plans to which you refer, are there?

Mr. JOYCE: I think not.

Mr. LLOYD: Such as for past service contracts, for example?

Mr. KNOWLES: Are there any windfalls to persons who do need them?

Mr. JOYCE: They are lesser to the people who do need them, and there are none at all to some of the people who need them the most.

Mr. LLOYD: I am only trying to reconcile my own thinking with yours.

Mr. JOYCE: Yes, surely.

Mr. LLOYD: I may be woefully wrong, but I am trying to do my job as a member of parliament and to see all sides of this question.

Mr. JOYCE: I appreciate that.

Mr. LLOYD: We are all faced with this. For example, if I were writing a critique of the system, I would do so in slightly different words. I would say that for all persons who receive benefits from the Canada pension plan, which is not funded, in fact, in proportion to their earnings during their lifetime, there is a capital sum to pay future benefits. But when you pick out one thing in isolation, you do not show any relationship to everybody else. Why did you use this method in making your case?

Mr. JOYCE: I did so because I felt that by giving a personal example of a case where a subsidy was not needed, or where the subsidy was so very apparent, it would bring home the point that the subsidy was being granted in the wrong place.

With respect to your question about windfalls being present in private pension plans, I think my answer to that is negative, that the contribution by the employer which is considered in lieu of salary plus the employee's own contribution is normally in private pension plans actuarially equivalent to the benefits being provided.

Mr. LLOYD: Let us take into account the fact of tax exemption of contributions, and contributions to past service funds. Surely there is an element of windfall in the existing arrangement under private pension plans in the sense that you use it.

Mr. JOYCE: Yes, I must admit that if you wish to consider tax exemption as a grant from the government, this is so.

Mr. LLOYD: It is so, is it not? Your colleagues in your field, who would question the present tax laws in respect of deductibility of all past services,

or contributions, you would agree, point out the effect that this would have as against those who have not. But getting right down to the question of financing the Canada pension plan in principle, what you are saying is that we are asking people to contribute through the tax system which is slightly different from private contracts with private companies and contributions.

Now, if we were to subtract from what somebody has called a payroll tax to provide pensions, a great deal of money for flat benefits under the O.A.S., would we not get into trouble everywhere? Sooner or later we might find that we had gone too far with it and would have reached a point where we abandoned the philosophy of benefits related to lifetime earnings.

Mr. JOYCE: Yes, I agree.

Mr. LLOYD: So there must be adjustment between the two, and in that light this reference to windfall is less critical, is it not?

Mr. JOYCE: I think you have to look at the whole benefit structure to see just who does receive the windfall under the plan and how much of the windfall goes to each person. I believe that an examination of this particular plan as presently proposed illustrates that as a social welfare plan it is providing a subsidy to the people who need it the least.

Mr. LLOYD: You speak of a social welfare plan which is wage related to a pension scheme or to a publicly sponsored pension plan. But let us be honest about it. Everybody uses a lot of terms such as publicly sponsored pension plan, but in a sense it is following what is the general practice of relating benefits to lifetime earnings.

Mr. JOYCE: I feel strongly that there is no reason for the government to be sponsoring a plan at all for such social welfare purposes. I heard quoted yesterday a basic principle enunciated—I believe it was a quotation from the Prime Minister which was read into your proceedings yesterday when questioning the Ontario delegation.

This enunciation of the basic principle, if I understand it correctly, defined the purpose of the government to fill a social welfare need.

Mr. LLOYD: No, I do not believe those were the terms that were used.

Mr. AIKEN: I think that is roughly the expression that was read.

Mr. FRANCIS: The record will speak for itself.

Mr. LLOYD: I do not think it was social welfare.

Mr. AIKEN: There were several expressions used, all of which were used to express the same idea.

Mr. LLOYD: To keep the record straight, if one were to comment on this subject which Mr. Aiken has raised in commenting on yesterday's proceedings, one would say that the federal government originally proposed a scheme that Ontario now agrees with, which is roughly a pay as you go plan, a certain proportion of the payroll deductions to be used to improve old age security benefits.

Mr. AIKEN: That is one feature.

Mr. FRANCIS: That was the original idea.

Mr. LLOYD: That is right; that was the original proposal of the government. Then Ontario wanted funds at one time. That is why I say we will not get anywhere by trying to fix in time who said what under certain circumstances.

Mr. AIKEN: I agree to that.

Mr. LLOYD: So we get on to two different propositions. One is that the payroll deductions and the payroll taxing—if you like to call it that—for the contributions to establish a scheme of wage related pension benefits, if utilized solely for that purpose, are in addition to the existing pension opportunities

that the private sectors supply. But for some reason the private sector has failed to reach many many people. It is to fill that need that I think everyone agrees we should make a step or undertake a measure, or undertake the Canada pension plan.

Then it gets confused with the old age security, which is a flat rated benefit which was definitely designed with a pension plan as a social welfare measure; there is no question about that. The old age security is a social welfare measure. To avoid means tests we compromise and say we will pay it to everyone at a certain age and then subject it to taxation.

Mr. KNOWLES: That is no compromise; that is the basic principle.

Mr. LLOYD: You can call it a principle if you like.

Mr. JOYCE: The purpose of the Canada pension plan was enunciated as a supplement to the old age security that would allow all Canadians to live in retirement in dignity and reasonable comfort, or something to that effect.

Mr. LLOYD: Is it a fair statement to put to you that you join those who do not think that government should be in competition with the private field and that we should leave the private field to supply all wage related pensions?

Mr. JOYCE: I feel it would be unnecessary for the government to enter the wage related field if they were to attempt to fill a social welfare need more directly.

Mr. CHATTERTON: May I ask a supplementary question?

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Chatterton.

Mr. CHATTERTON: In respect to this question of basic principles, on July 18, 1963, the Prime Minister made this statement:

> The purpose of the government proposed legislation is to ensure that as soon as is possible in a fair and practical way all Canadians will be able to retire in security and with dignity.

Then again, on September 9, 1963, the Minister of National Health and Welfare made this statement:

> The purpose of the Canada pension plan is to make it possible for all Canadians to retire in security and with dignity.

Do you think the proposed plan meets the purpose of those two statements?

Mr. JOYCE: These were the quotations I had in mind, Madam Chairman. I think there is no question that the Canada pension plan fails to assist all Canadians; and "all Canadians" is the term used in both those quotations.

Mr. LLOYD: If one were to take the full context of the statement that is made I think one would get the proper interpretation. When taking it out of context one can interpret it in any way one likes.

Mr. AIKEN: I would like Mr. Joyce to refer to the question of indexing. You stated that you felt indexing should be removed. Do you feel that this should be both as to earnings and cost of living or as to one only?

Mr. JOYCE: I would remove all indexing in a wage related plan if I had a say in the matter.

Mr. AIKEN: What are your reasons? The one that has been raised most often in the committee is the question of built-in inflation, if you would call it that, and the fear of many people that it might lead to inflation.

Mr. JOYCE: This is one reason, but the other reason why I feel it has no place in the wage related plan is that of the inequities, the social inequity of this benefit structure of the plan, the fact that the wage related plan gives the higher benefits to the people who have the higher earnings and therefore are in a better position to look after themselves.

It is for this reason that I suggest the indexing should not give further higher benefits to the people who are best able to look after themselves. I feel there is a very good case for making provision not necessarily for indexing but perhaps for periodic review by a committee for the flat old age security benefit. I would certainly recommend removing in all indexing from the wage related plan, however.

Mr. AIKEN: Do you believe that the pressures which you have mentioned on the people in parliament would keep the benefits in some relation to the cost of living, and that changes should be made by periodic review either by legislation or by administrative order rather than by indexing?

Mr. JOYCE: I suppose fundamentally I feel you are trying to ride two horses in having a wage related plan in which the contributions really do not provide for the benefits. This is the reason why the inequities occur—the obvious inequities—in this plan. If you produced a wage related plan in which there was an actuarial equivalence between the individual's contributions and the individual's benefits, then you could index it or do anything you liked as long as you preserved that actuarial equivalence, because you would not be giving any further subsidy to any individual. But because this plan does not have actuarial equivalence, I think it is wrong to build in a factor that aggravates the inequitable subsidies.

Mr. AIKEN: I would like to turn to this other question that has been raised quite often in the committee, that is the type of plan that this Canada pension plan is. There have been efforts made to categorize it as a social welfare legislation and so forth. I understood you to say this morning that you are basically in agreement with the Ontario proposition that there should be a minimum payment for all Canadians who are on old age security of perhaps $25, as it was put yesterday. Is this your statement?

Mr. JOYCE: I feel the situation has already reached the point at which we are inevitably faced with an increase in the flat benefit old age security of an amount which may very well be $25 a month, and that if this is not provided under the Canada pension plan and integrated with the Canada pension plan, as has been suggested by the Ontario government, then the political pressures will make it inevitable that it will have to be provided as a straight flat addition to whatever may be provided under the Canada pension plan. Therefore I think it is much more appropriate that the integration should be considered very seriously by this committee and might be recommended to parliament.

Mr. AIKEN: Would you say it would be out of keeping with the type of legislation that we have for us to introduce the social welfare benefit that was suggested?

Mr. JOYCE: No. Something of the kind was suggested in the first version of the Canada pension plan, and I think the basic principles that were mentioned certainly give you scope for including something of this kind.

Mr. AIKEN: So your belief is, as I understood your earlier statement, that the government should have some reason to be in this type of business beyond merely providing what private institutions could themselves provide?

Mr. JOYCE: Yes, I do believe that.

Mr. AIKEN: And, this, therefore, would include a welfare element, which the $25 minimum would provide.

Mr. JOYCE: Yes.

Mr. AIKEN: Thank you.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Would you proceed, Mr. Knowles.

Mr. KNOWLES: Mr. Joyce, may I commence where Mr. Aiken left off. If I understood him correctly, Mr. Aiken asked you if you felt it would not be out

of keeping to provide a social welfare element along with the Canada pension plan. I thought he was talking about the $25 or some such increase in old age security. If I understood you correctly, you say no, that such would not be out of keeping.

Mr. JOYCE: That is correct.

Mr. KNOWLES: Is not the reverse of that then also true, that it is not out of keeping to provide along with a flat rate benefit an earnings related scheme such as this set out in the Canada pension plan? Have you not, in effect, said that a two stage kind of plan is the proper business of government?

Mr. JOYCE: Well, I personally am not trying to suggest that the wage related portion of the plan should be entirely thrown out. I do not think at this stage it is feasible. But, I do think that the extent of the wage related benefit in respect of the flat rate benefit should be geared to the actual needs, the actual income needs of the aged in Canada, and this is why I recommend very strongly that in a plan that promises to spend more than $500 million a year of the taxpayers' money the actual needs should be studied first, and that the plan should be devised to actually meet the needs that are known.

Mr. KNOWLES: In view of the statement that you have just made, that you do not think this kind of plan should be thrown out the window altogether, is it fair to assume then that you feel there is a place in government operations for enabling all the people to provide themselves on an insurance basis with more pension than can be provided on a flat rate basis?

Mr. JOYCE: I think if you are asking me if I favour a wage related benefit in the government plan I must say no.

Mr. KNOWLES: The reason I am looking at you is that I am thinking about the answers you have given to two or three questions. But, we will let the record speak for itself. I have one other question. You have stated that if we report this bill back to the house in its present form without doing something for those now aged 70 and over, there will be pressures brought to raise the old age security. I can assure you that you are right; I will see to it that your prediction is carried out.

Mr. FRANCIS: You are giving supporting evidence now in this commttee's hearings.

Mr. KNOWLES: I am in support of the position from top to bottom and right to left.

Mr. FRANCIS: That is very reassuring.

Mr. KNOWLES: You suggested there would be such pressures. You also urged that we delay this bill. You have said you do not propose we throw out the thing completely but that we delay the bill. If we so recommended would there not be pressures in any case brought to increase old age security at this time, even if we did not bring back this bill, and would not we have the same round again next year or the year after, whenever we bring in some kind of earnings related plan? I put this question because I recall two years ago the government brought in a proposal for an earnings related plan when old age security was $65 a month. It admitted itself that it could not do that and leave the $65 where it was, and it had to raise it to $75. Is it not inevitable that at whatever point an earnings related plan is brought in for those still working something has to be done for those already retired? To follow an old adage: Why not do it now?

Mr. JOYCE: I believe that is the case. When I say "delay" I am not suggesting it should be delayed for a matter of one or two years, but I believe that the Ontario government suggested, reasonably, I think, that you might get some advance information from the royal commission on taxation to give

some help with the tax structure of the plan. And, I believe the government has the facilities to get this further information about the needs of the aged in Canada. And, it would be very helpful to parliament to know that the plan as it is ultimately introduced is something that is properly filling the social welfare function that we hope it will fill.

Mr. KNOWLES: To a degree, whatever we do in the earnings related plan, we have to do something with the people already retired. Do you not agree?

Mr. JOYCE: I do.

Mr. KNOWLES: Thank you. Those are all my questions for now, Madam Chairman.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Have you a question Mr. Francis?

Mr. FRANCIS: Yes, Madam Chairman. Mr. Joyce has made many references to actual needs. Does he think that social assistance should play a part in determining needs and case work in individual circumstances?

Mr. JOYCE: Well, social assistance has nothing to do with the needs; it is a provision for the need.

Mr. FRANCIS: I am sorry; did you say that social assistance has nothing to do with need?

Mr. JOYCE: Well, it is something that comes after the event, surely. Is not the social assistance provided to fill the need?

Mr. FRANCIS: Well, surely case work in social assistance will determine need in individual circumstances, would it not?

Mr. JOYCE: Yes.

Mr. FRANCIS: Do you believe in this as a form of social welfare, because it seems to me when you talk "need" you must indicate the kind of measures you consider most appropriate to deal with need?

Mr. JOYCE: I think we face in any social welfare structure the fact there is some place where one draws the line and perhaps it always has to do with the percentage of the population that require the assistance. Now, when this percentage gets up to a very large portion of a particular group, perhaps 90 or 95 per cent, then sometimes it is more practical and less costly to blanket in the whole group, and overlooking the fact that 5 or 10 per cent of this particular group who do not really need it on the basis of the needs test are still getting some assistance. But then, as the need gets down to a lower percentage, maybe down below 50 per cent or 25 per cent, you are faced with the reality of the cost of the situation for this smaller percentage that is in need of some social welfare and this perhaps has to be provided on some sort of a means test. "Needs" is rather a bad word, I am sure, to everyone. I do not like it. I do not think any of the welfare officers like it. But, in the area of pensions that we are talking about I think the criterion might be a simple income criterion that could be administered through the income tax department or through the Department of National Revenue.

Mr. FRANCIS: In other words, you are in favour of the retirement test?

Mr. JOYCE: I think I would favour an income test.

Mr. FRANCIS: What I am trying to establish is this. I gather you just do not believe in a wage related plan as public sponsored. Is that about the size of it?

Mr. JOYCE: Fundamentally, no.

Mr. FRANCIS: All right, if you do not believe in that what do you think we should be doing? Do you think a flat rate provision is more desirable or that we should strengthen social assistance, or both? What do you think we should do?

Mr. JOYCE: I think the flat rate old age security has served Canadians very well and if properly increased will continue to do so. I feel that some additional social assistance might very well be applied in specific areas where the need is evident.

Mr. FRANCIS: But you have not discussed this in your brief.

Mr. JOYCE: Only in a general way.

Mr. FRANCIS: Well, I will come to my last question. If you believe in the flat rate benefit approach are you in general agreement with the proposals that were put before us by the province of Ontario yesterday, to which you were apparently listening at the time?

Mr. JOYCE: Yes. I believe the proposals put forward by the province of Ontario would be a substantial improvement on the Canada pension plan.

Mr. FRANCIS: They would add something like $375 million a year in benefits being paid out in 1970, according to the estimates placed before us. Am I correct in saying you are in favour of building up benefits at about that rate?

Mr. JOYCE: I think that is realistic. I think not to provide these benefits will merely have the effect of promising ourselves and promising the future working generation a pension on their retirement that we are not willing to provide to the people who are in or close to retirement at the present time.

Mr. FRANCIS: Presumably the economy could afford more in the future than it can right now, but if you feel that this is what we should be doing I can only say that I am concerned about the cost and I am astonished that so few people who have come before this committee are concerned about the cost and what it would do to the economy to build up benefits on the scale of a universal benefit pattern. I am delighted if Canada can do it, if our productivity and our economy permit it, but it seems to me that a race to see who can recommend the largest form of universal benefit the soonest is, to say the least, most unwise. It is very nice for other people to make recommendations. The provincial authorities are probably in favour of the federal authorities spending, and I suppose the federal authorities are in favour of the provincial authorities spending. This process cannot go on like this without doing some serious harm to the country. At some point or another we have to be responsible in terms of the level of benefits that can be realistically provided.

Mr. JOYCE: I could not agree with you more, but what I am suggesting is—and I think this is very evident to an actuary—that the costs are there in this wage related scheme but they are deferred so far in the future that too many people only see the benefits and think it is not going to cost them anything while in fact it is going to cost the country something. Just look at the way that this fund builds up and then starts to fall off and goes into a negative position.

Mr. FRANCIS: It is no substitute to pay out all the money right away as we did with the unemployment insurance fund and then face the crisis shortly afterwards. Is your recommendation not going to do that, get all the money paid off and then have no funding?

Mr. JOYCE: I am suggesting that you should be realistic and face the cost now instead of pretending it is not there and then come upon it in the future.

Mr. CHATTERTON: I have a supplementary question to Mr. Joyce. In my last question I quoted the additional cost in Ontario's proposal for 1970 at $380 million. Did not Mr. Coward indicate yesterday that he estimated the additional revenues to be $120 million?

Mr. JOYCE: I do not recall his figure, but I do recall that there would be additional revenue under his recommendation. I have suggested very strongly that this cost is going to be there as a result of political pressures whether you granted the pension in the form proposed by Ontario or not.

Mr. CÔTÉ (*Longueuil*): I have a supplementary question, Madam Chairman. Mr. Joyce, you said you were not in favour of the government providing a pension plan, but did you ever at all deal with the unemployed during your career? Were you on any welfare committee at any time?

Mr. JOYCE: What do you mean by "deal with them"?

Mr. CÔTÉ (*Longueuil*): I mean trying to find jobs for people who are not working.

Mr. JOYCE: No, I have not had that experience.

Mr. CÔTÉ (*Longueuil*): If you had had, you would have found it very hard and almost impossible to find work for people who are about 45 years of age, because many firms will not take them owing to the additional costs involved in the pension plan.

Mr. JOYCE: I have heard that argument advanced, and I believe that is is very often used as an excuse for not accepting older people rather than as a reason.

Mr. CÔTÉ (*Longueuil*): It is a reason because it would cost a lot more to those private plans if those firms employed older people rather than younger people.

Mr. JOYCE: But they do not have to provide under their plan for the people that they have.

Mr. CÔTÉ (*Longueuil*): Many firms say that all their men retire with good pensions and they are proud of it.

Mr. JOYCE: I understand their argument. There is an element of truth in it, but I do think that it has been advanced as an excuse and not as the real reason for not hiring those people.

Mr. CÔTÉ (*Longueuil*): You should know that about 90 or 99 per cent of the people who come and ask us to try and help them find a job tell us that this is what they hear. I know some very well qualified people who cannot get a job in such a firm because they are over 45 years of age and this would cost the pension plan too much. I think we have to deal with the people who are in the working force now, so that they can move from one firm to another and become more independent. Many people have to stay in a job and stay in it all their lives even if they are not happy in it because they have their pension plan and they are waiting for their pensions. They are not independent any more, they cannot move away from their jobs and find other work. Do you not think we have to think of these people also?

Mr. JOYCE: Certainly.

Mr. CÔTÉ (*Longueuil*): This is one of the problems, and probably the main problem and the reason for bringing in this legislation.

Mr. JOYCE: I feel that the flat benefit old age security does look after these people to the extent that the government plan should.

Mr. CÔTÉ (*Longueuil*): Only when they retire at the age of 70, but people want more than that; they would like to be able to change jobs while they are working.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any more questions? If not, on behalf of the committee, Mr. Joyce, I would like to thank you very much for submitting this brief and having come from Toronto to discuss it with the committee. I am sure that we will give a great deal of thought to your arguments when we make up our minds on our report.

Mr. JOYCE: Madam Chairman, may I say that I appreciate very much the opportunity to make this presentation to you. I am grateful to the committee for subjecting me to these questions which were very pertinent. I have been very impressed with the thorough manner in which you are receiving your

witnesses. I was present here as an observer yesterday and I was very much impressed with the thorough manner in which you conducted your proceedings at that time. Thank you very much.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Mr. Ruse is here and he will present his brief. Mr. Ruse, will you come up to the main table, please.

Mrs. Rideout and gentlemen, the next witness, as I mentioned, is Mr. Ruse. I would like to speak a little bit about him. You would be interested to know that he was born in Japan and came to Canada at the age of seven. He went to the University of Manitoba and majored in mathematics and economics. He is now a fellow of the Society of Actuaries. I was interested to see in his brief that during world war II he served at the European theatre as a tail gunner in the R.C.A.F. Mr. Ruse is employed as a research actuary by a Canadian life insurance company, and I am sure that we will find his arguments very interesting.

I think I should say that as Mr. Ruse's brief only reached the members of the committee this morning we were not able to give it the thorough study that we have been able to and have done with all the other briefs that were presented to us before. In view of that, although our custom is to ask for a brief summary from the witness, I think I should ask Mr. Ruse to be sure that in making such a summary he brings out all the points in his brief so that we can hear them, because, not having had an opportunity to read the brief before, we might find that certain points were raised in it on which we would like to ask questions.

Mr. Ruse, I really think that I should bring to your attention one statement that you made in the second paragraph of your presentation in which you refer to the government officials who prepared this brief. I think you also refer to it on page 2 of your brief. As I understood this reference, you are of the opinion that the government officials have a political interest and have drawn up this Canadian pension plan with this in mind. I assure you that our civil servants do not have any bias one way or the other. I am sure I can speak for all our Canadian civil service, and we are all very proud of them. When they receive a request from the government to put certain things into effect, they do it as well as they possibly can, but they do not decide on the policy and they do not try to influence it politically or otherwise; they simply do what they are asked to do. I thought I should make that clear to you. I think that all the members of the committee are quite clear on that.

Mr. RUSE (*Actuary, Toronto, Ontario*): Yes, Madam Chairman, I agree with you on that point in general. There are certain things that make me wonder as a citizen and sometimes I am concerned whether the government has not decided, as a government or a political party, that they do have, you might say, a group of very sincere and very capable hard core planners. They come up with the various ideas in many phases of our civic and national life; they lay down a policy, go to our appointed officials, and these appointed officials incorporate them into a plan.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I am sorry, I have to disagree with you on that. I do not think the civil servants lay down the policy.

Mr. RUSE: I mean the political party.

Mr. AIKEN: I do not think the witness has used the word civil servants anywhere. I think when he referred to government officials he meant ministers of government, parliamentary secretaries, and so on.

Mr. LLOYD: Members of parliament of all parties and everybody included.

Mr. RUSE: Yes.

Mr. LLOYD: I am sure the witness, having made rather generous observations, will anticipate our need for specific explanations of these generalities in the conclusions he has drawn. I think he has come prepared to do this and he will bear in mind your remarks, Madam Chairman, concerning civil servants.

The CHAIRMAN (*Hon. Mrs. Fergusson*): If you will present your summary, we will ask you questions on the different points.

Mr. RUSE: May I, with your permission, go over these various sections? I have seven sections in my brief. I will do it without actually reading the brief in detail. In the brief I have a short biography which Madam Chairman has kindly related to you. I have emphasized the fact that these views are my own. I might say I am extremely sincere. I may be misguided, and I may be wrong. However, these views are sincere and are views which I have held for some time, so much so that in a sense from time to time I have lived with this thing. I have spoken to friends and have spoken to strangers. I have given one or two talks on this. I spoke to a public service group over a year ago. The views I expressed to them were based on the feeling I have that the people of Canada would not really be served by a wage related plan, but would be better served by an improved old age security plan.

The third section is very strong. I might mention that I do realize I have been very accusative in a sense in some of these things, or at least sound accusative. Actually, I am trying to bring out the lack of knowledge on the part of the mass of the public in respect of just what this plan will and will not do.

In the fourth section, I feel that what I have termed the less sophisticated public have been misled. I do not mean this has been done deliberately, but that the press and some of the statements from what I have termed government spokesmen have fallen a little short in telling both sides of this plan.

During the Ontario election campaign, I think in the province of Ontario at least, the people picked up ideas with reference to what this plan would do for them, for their loved ones, and for their friends which were not exactly what this plan is going to do. This is a matter of grave concern to me because I believe in our type of society we must make abundantly sure that the people know what we are going to do before we enact a piece of legislation which, once enacted, is irretrievable. Therefore, I make the point that I am utterly convinced the less sophisticated public does not know what the plan will and will not do for the people of Canada today and in the future.

I have given you a brief outline of the history of O.A.S.D.I. in the United States. As you know, four or five years ago disability benefits were introduced there, although basically it has been a pension and old age survivors' insurance plan. I am very frightened that that same thing is going to emerge in the long term future in Canada. Although I know there are many who will disagree with me, personally I feel it is not a good thing for Canada. As I say, I have no particular pipe line to the font of knowledge, wherever it may be, but in my own humble and sincerest opinion I do not like for Canada what I see in the United States. As you know, the tax rate now is 7¼ per cent. It is slated to go to 8½ per cent in 1966 and 9¼ per cent in 1968. I know this committee knows these things and I hope you will excuse me for going over them. It may be that this upper age limit may be increased.

It is my contention that the younger entrants into the United States labour force are being required, with their employer, annually to put a sum of money into their scheme which they could better put into something else; I do not care whether it is pensions or not. There are many, many ways for a man and a family to provide for and accumulate wealth. It can be done through pensions, but there are many other ways, such as through the ownership of a home, stocks, bonds, whatever you will. There are many ways in

which this can be done in a community or in a nation such as the United States or Canada in a free enterprise system. It is a capitalistic system and private property is very much in the nature of this community. They have the opportunity to do it. I do not like what I see there. I do not think it suits Canada. I believe the younger labour force and the younger people who are around now are paying more for the benefits than if they had the money themselves. However, the trouble is that the younger people will not save for retirement in the sense that the private carriers would like them to do, and like the Canada pension plan, in a sense, is actually saying they should do. They will have to do it; we will make you do it and you will not become a charge on society; this is a good thing.

However, that is aside from the point so far as I am concerned. I am most sincere in this. I would like to make the point that I am not ascribing to myself any great knowledge on this matter. You may think I am saying that my judgment in these things is better than yours. Of course it is not; you study these things in political parties and in government, and you are deeply concerned.

I think we are and for years have been moving in the right direction, and to a degree have an aggressive free enterprise system in which those who have should help those who have not, partly in many instances through mental or physical incapacity; I do not mean they are broken physically or mentally, but they have a hard time.

I come to the very sincere but terribly strong conclusion that we should not have this wage related plan but that we should improve on the old age security plan. Indeed, I think it should be reenacted under the name the Canada pension plan. It is a wonderful name; it is for Canadians. There are certain improvements which can be made in here. I think it is the responsibility of the government to devise ways, recommend, and look at it.

If I may, I could give you a suggestion which might be looked at. I do not mean that this is the answer, and I think I have a bit of a price attached to it. I think if you took the age of a person 70 or over and used that as the number of dollars, he would get $70 at age 70, $75 at age 75, and you would add a flat $20 to it. This would be for a single person. If it were a married couple, one of them would have it and you would add $60 to it. This is a very convenient and simple formula. Do you get the idea?

Hon Mr. CROLL: Just a minute. At age 70—

Mr. RUSE: At age 70 you give $70 to a single person plus $20.

Hon. Mr. CROLL: $70 plus $20. That is $90.

Mr. RUSE: Yes. At age 80, you would pay $80, plus $20—$100. At age 90, you would pay $90 and $20, which would be $110. In my humble opinion, this would serve a great social need in this country.

Hon. Mr. CROLL: You have not read all of the minutes. It is not your fault. This is a dandy suggestion, and a couple of members around the table already have made it.

Mr. RUSE: That is very interesting. Do you mean precisely in those terms?

Hon. Mr. CROLL: Almost in those terms.

Mr. RUSE: I think as I grow older, even if I had worked as a modest clerk I might have owned my home and have had a bit of a nest egg whether I were in a pension plan or not. I could scrounge along for a while because I would be able to do things for myself physically and mentally, but as I became older I would become more and more unable to do things for myself and I would have to pay other people to do them for me I think something of this character would be a very useful thing.

But then I would add a flat $60, and by adding it thereby at the age of 70, a couple would be getting $150 just as they are getting it now. I would like to see them have more. This marriage contract, these lovely old people would have $150 and going up year by year; and if one of them should die—it is inevitable that one of them will die first, unless they are both killed in an automobile accident, and we have too many of them, of course—then it is not cut in half, it just drops to $60; in other words, at 90 you would have $110 for one person plus another $60; then it would drop down to only $110 if one of them died.

I think this is a more realistic approach to the needs of our older people. It is my estimate, for I do not have a lengthy amount of statistics; and I have done all this work in my own spare time. I am not an important person in the insurance business, although as an actuary I seem to be able to command a good wage. I have paid my own fare to come here, and my hotel bill. This is a personal vendetta, if you like.

I think this cost might be somewhere around 15 to 20 per cent over and above our present $1,000,000,000 that we are now currently paying for the O.A.S. I think it is well within the means of this community to make that simple change. I feel it is a much more extensive benefit to make it younger, and to have it start younger. I am all for it, but I feel we must bring assistance through the province, and the municipality to bear between the ages of 65 and 69. Mr. Joyce used the term income test. But I shall stick to the old fashioned words of means test. I do not think it matters what we call it, but anyway let us have it between those ages. I do think that a person between 65 and 69 might well be given through an amended O.A.S. act renewed under the name of Canada pension plan, $60 a month.

This is an additional element which would come after the age of 70, and that it would be to help out with the problems of the aged. We really get into big money now. Roughly speaking I think that this would cost, from the obvious relationship with a number of people of 65 to 69, and 70 and up—this might cost us from 40 to 50 per cent of the $1 billion we are now paying, but again I think they should have it as a right.

I think that taxability in this sense is something, as Mr. Francis said, which is a very powerful element here. I hope the reporters will not mention these names, and just say that these are some affluent people. I will not mention any names. But you know the type of person who is taxable at the top bracket. In his income tax he would be paying from 50 to 60 to 70 per cent. But of course a great deal of it comes back to us.

This has been a very brief outline of what I have here and I just wanted to lead into the whole thing. A very strong point with me is that I do not like to see us legislating today for our children and for our children's children to do things for their aged that we are not prepared to assume today.

This is a very strong point with me and again I speak as only one person on a matter of judgment which might well be wrong, but I am most sincere about it. I think this concept is one which is well expressed by the old English philosopher, Jeremy Bentham who used some words which I have cribbed about the living forever being in bondage to the dead.

Let me say at this moment that this is an illustration which I did not prepare myself. A good friend of mine in the office did it for me. I merely sketched it out. I believe that you and I and the government, as well as the political parties, must ask ourselves whether we have the right to impose a tax of 3.6 per cent upon ourselves today, and whether we can stand it. But are we doing very much for the people who are now disabled?

This plan does not do anything for them, neither does it do anything for the widows with dependant children who are now in our society, and neither does it do anything for the orphans who are in our society today; and it just does not do anything for many of the unfortunate wage earners in this country.

I think sometimes that we have to go back and realize that in 1961 according to d.b.s. statistics, if you were to add up the wages and supplementary income of the labour force, and add to it the wages of the armed services and those of incorporated farm businesses and other unincorporated non-farm businesses—this is not investment income, but of course there is some in there, I realize, but it is not a very substantial amount—and if you divide that by the population in 1961, the average per capita income from wages, you might say, or earnings, would be under $1,250.

If you look through the d.b.s. statistics—as I know you have, and please forgive me for speaking to you like a lecturer—it is astounding to see how many wage earners make less than $2,000 and $3,000. But these people are struggling to bring up our future Canadians, and they are struggling awfully hard.

There are many married men with two or three children and a wife, and if you divide that number into $2,000, what do you have left?

I sometimes wonder if we have not gone overboard in looking after the aged. I think we are getting carried away with it, although I am all for it. But everything in its priority.

This nation spends something like $4 billion now through the three levels of government on welfare, and when you look at the components under welfare such as the social welfare assistance programs, and all the other things, do you not think it is about time we sat down and said: "I wonder if this amount of $4 billion is being spent in a way which will do the most good, and where it is most needed"?

I do not think this can be so when we have so many different pieces of legislation all competing with one another. I do not know anything about it, but as I look at so many pieces of legislation I wonder about this big business. I do not think any private business could operate with so many different sets of little bylaws. The thing has to be integrated.

We are going to a third step and pay 3.6 per cent, but we are not going to do very much about the presently disabled. We are going to wait for another day for that one, or for the present orphans or the present widows with dependant children and so on, and the people who have no earned income.

I am thinking of a poor old man who comes to help my wife to do the floors. He is a fine little fellow, and he is my own age. My wife had him do some work for her while she had to go out. He called up in the evening and asked for her. He said: "Mrs. Ruse left me too much money. It did not take me that long".

This man will not get anything under the Canada pension plan. We are going to have some kind of philosophy which to me is completely false, but to you it apparently is not, and say: "We will not do this when we are quite young." Now the actuary's report is a projection. I did read a bit of it, and I think it is abundantly clear that the projection of funds and the cost of this Canada pension plan is a very difficult thing for an actuary or anyone to work out because there are so many imponderables involved in it. But we are going to say that we are prepared to take a chance to the extent of 10 per cent. I do not think we have any right to legislate today with a piece of legislation which might have a 10 per cent chance. I do not care whether it is only a 10 per cent chance, but I do not think we have the right

to do it. I do not think I have that right to do it to my own people, or to my own children, and I think it is abundantly wicked that the thing should be so bluntly done. According to the publicity concerning the Canada pension plan everything seems to stop at the end of 20 years.

Hon. Mr. SMITH (*Queens-Shelburne*): I wonder if the witness would mind explaining his chart to us, and what is significant about it. We cannot see it too well.

Mr. RUSE: I am very sorry. I shall do so. I had hoped to get it duplicated but it would have cost so much that I stopped there. These are percentages, one, two, three, and so on up to 10. This is the combined employer and employee tax rate which starts at 3.6 per cent, and I have for the sake of this chart assumed that it will continue for 10 years, because this is an assumption which I believe Ontario has included in its material.

He then gives projections of possible low cost and high cost percentages. He gives a lower limit and an upper limit, and that of course is escalated according to formulae. He says that it could be as low as is shown on this graph. The graph shows the 3.6 level, which would rise to over 5.0. That seems to flatten out at somewhere just under 5 per cent. That is the low cost line on the graph. This is associated with the 3 per cent increase in the earnings level, with which I know you are all familiar.

Then you will see the line for the high cost projection. I think the contention of the actuary is that the truth perhaps lies somewhere between the two, but he still does not know; and you do not know, nor do I.

The chief actuary is a very capable actuary. I do not know Mr. Clarke very well, but I know he is reputed to be a very sophisticated and excellent actuary. We are most fortunate to have him as chief actuary of Canada and as adviser to this committee. He says it could be there; that is his contention.

Actually, most of the statements made by government spokesmen speak of a projection of 20 years or so, and you will see the graph is marked and shows what happens or what is projected to happen when 20 years have passed. Most of the comments made by government spokesmen stop there. The public do not know about this other side of the graph, which is a projection of what will happen after 20 years.

There have been references to this plan, of course, in the press, and we have seen that the figure could be raised by about one third in 20 years time, and it may be somewhere around 4½ per cent. Nothing has been said about the possibility of it being increased to 10 per cent some day, but one should keep that possibility in mind.

Mr. FRANCIS: And it might be less also.

Mr. RUSE: It could be less also, yes. It is unpredictable, sir.

I think the actuary has probably to compromise somewhere. He says, "This is my high cost; this is my low cost", and these are shown on the graph. I would think that perhaps as good a guess for you gentlemen and for the government—and for the opposition parties too—would be that it could be half way. I leave it to your imagination to see what might happen in that chart.

Then on this chart one sees the four funds that have been projected by your chief actuary. Again, these are shown in billions of dollars. There is a zero line in the middle, and there is the plus $14 at the top and minus $14 at the bottom. These charts really tell us what will happen if the rate of contribution continues at 3.6 per cent.

As I have stated, government releases about the Canada pension plan have usually mentioned a period of up to 20 years from now, 1985, which is about the peak point—and, again, I think our provinces can well use the money for social capital. We do need more schools and hospitals and such things. But

I wonder if it is any wiser for government than it is for you or me to say that, as family units, we will go deeply into debt for 25 or 30 years and then, thereafter, pay it back very quickly. We will have to pay it back very quickly or we will have to raise the contribution rate. I do not think that is right for us. I do not think it is morally right for us by legislation, to impose, that sort of burden on our children.

What the public has its eye on is, in our society, a combination of improved old age security, reenacted through the Canada pension plan, and ther things. This is what the public has its eye on and, indeed the vote in the house on the second reading was a clear indication from a political point of view of the fact that it is impossible to go back; but from the point of view of the public I think it is abundantly clear that we must go back, and in my own heart I think it is necessary to go back on this. This is no more a good thing for a government to do than it would be for you or me or anyone else; it is not good to accumulate great debts over 25 or 30 year periods and then to suddenly say, "We'll now have to pay them back quickly." By legislation passed today we will be saying that our children or our children's children will have to pay 25 per cent.

Again, I have gilded the lily and perhaps exaggerated the figures, but here are the actuary's figures. In 20 years time it will be 5 per cent or it could be 6 per cent, but later on it goes shooting up. This is what is happening to the United States system, you know.

I have to beg your indulgence. I am very sorry for the bluntness of my presentation. However, I feel there is no other way, Madam Chairman, Mrs. Rideout and gentlemen, to get my point across. I have been much more blunt and I have been much more rude in this matter than is my wont, but I have to make the point to you at least to satisfy my conscience that I have done my best and said what I can say.

I thank you deeply for the opportunity you have given me to appear before you so that I have been able to get this off my chest, because it has been there simmering for some two years. I am frightened of this thing. I think in our type of society, a free enterprise society, a laissez-faire, aggressive society, a society whose strength lies in that aggression which makes a bigger pot of money to be divided among all of us, this upside down approach to take care of the aged is wrong. I do not think it is the function of government. Government has other things to do—and what a complex and demanding job you have. Government's job is to make the productive capacity of this country high. We should be concerned with enabling people with low wages to bring up a family, because they are not getting enough. When you think about it you will realize that the old peole now get $900 under old age security—and I would like to see them get more, but when you compare that with the per capita income of many, many very important people with their productive capacity toward the gross national product, you will realize that this is a rather shameful situation. No, I withdraw that, I will say rather that we should concern ourselves with other things.

We have done a lot with old age security; let us do some more, but let us not get to the point where we are going to have government cheques going out to the most strong economic groups, the union force who are making $5,000 or more, the foundation of the industrial capacity, the automobile workers and workers in other big factories. They are going to get cheques for $179 whereas poor old Joe is going to get $75. That does not seem to me to be the function of government.

I do humbly apologize for the bluntness of my presentation. I used to be a Liberal; I will be frank with you. I was a Liberal and I changed to Conservative—and I may change back to Liberal again if you will just abandon this thing!

I have to fight for this and all I can do is ask you to consider my views. I do not think this is a socially desirable thing. You have the idea—and I think it is a great tribute to the private carriers—that a group pension approach to the problem of old age is a matter for government. You thought that they have done a wonderful job, you said it was a wonderful thing they have done, but they have not picked up the poor people. You are going to pick them up with your plan, but you do not pick them all up. The less money people are making, the smaller pension they will be getting; the thing just does not make sense to me. I think it is a wicked thing, frankly, and I say this to you bluntly. So I now lay myself open to being ripped right apart.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much, Mr. Ruse. I am sure we are all very much interested in what you have said. Your great interest in the subject you are discussing is very evident to us. We realize this is a very unselfish point of view you are taking.

Mr. RUSE: May I make one more comment?

I would like to tell you that I became so concerned about this thing that I did something that does not come very easily to me. I am probably the funniest looking witness you have had—

Hon. Mr. CROLL: I thought the most handsome!

Mr. RUSE: How nice of you; thank you, sir. That has never happened to me before so excuse me if I am unable to go on for a minute.

I have made it my business to talk to the little man on the street. This is what counts. As a matter of fact, I came over from the Lord Elgin in a taxi and I talked to the taxi driver today. I have been doing that sort of thing for two years. I talk to the man on the street.

Mr. FRANCIS: Some of the rest of us have done so too.

Mr. RUSE: The man on the street does not know about this. I never put myself up as an expert. I am a threadbare looking type usually, but of course, I am well dressed for this committee today; usually I am quite a common looking person. I say to them, "Good morning. The weather is good today", and then I can tell whether it is an approachable type or not. I only have a minute's conversation or so. I say, "What's all this about the Canada pension plan? Is it a good idea?" "Sure it is a good idea", they say. You see, any marrying of the words "government" and "pension" is a good idea to those people. It is to me too, but I get a little more sophisticated about it, and I hope you will too. So then I say, "I have a friend who I think knows things about this, and you know what he tells me? He tells me this is not going to pay anything to all the old folks. You know, there are about a million of them getting $65 a month." It was $65 when I started this thing. Then I used to get, in the simplest terms, two answers. One would be "Nuts", and the other, "They wouldn't do it."

I did not carry on the conversations; all I wanted was opinions. I might say to someone else, with the same sort of lead in, "You know, the funny thing is that a friend of mine tells me they are going to tax my first dollar of wages—and yours too." Of course, now you have the $600, which I think is lousy, but still it is better than nothing. "They are going to put the money in the pot and divide it up among the population in such a manner that the Joes who made the most money and had the best jobs and the best job security are going to get the biggest cheques. The guys who have less are going to get smaller ones. As a matter of fact, my friend tells me there are a whole bunch of people like the people you see here, people in little jobs who are not going to get a cent out of it." Again, the same answer; basically, you get the same answer: "Your friend is nuts" or, "They would not do it." The odd time they have said: "It is not going to hurt me; I am all right."

Hon. Mr. CROLL: Well, if enough people say your friend is nuts do you not start to believe it?

Mr. RUSE: Well, sometimes I think I am nuts. A lot of people think I am overly worried and concerned about coming here; they say: "The thing is established; what are you worried about?" I do not know, perhaps I am crazy, but I felt I had to say what I have.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Thank you very much, Mr. Ruse. Some members wish to put questions to you at this time.

Have you a question Mr. Chatterton?

Mr. CHATTERTON: I too commend you for the honest sincerity with which you have made your submission. Not often has evidence been given that people generally do not understand the plan. I too have found out that people do not know what the plan provides. I am impressed and very much concerned that very many of the old people think they are going to get some benefit out of this.

Mr. RUSE: Yes.

Mr. CHATTERTON: Are you aware of any statements made by members of the government—and I am referring to public statements—clearly showing that this plan does not help those who are retired or those who are widowed.

Mr. RUSE: I am sure that this is being done. If I might use the words "government spokesmen" I am sure that there are some who have been quite honest about this. As a matter of fact, I read an account in the press—and I cannot remember the name of the government spokesman in this particular instance—of one who was quite frank when speaking to a group of older people, when he said there was nothing in it for them as such, directly; he was referring to the present aged.

Mr. CHATTERTON: But I am referring to your opinion, generally speaking.

Mr. RUSE: But, generally speaking, that is so. A lot of these reports are not made with any intent to be unkind or to be accusative; it is a fact of life that the press have reported on certain aspects of this. I spoke to two editors of newspapers some time ago and I was amazed that neither of them really knew what was going on. These were two different editors for whom I have the most sincere admiration but they just did not understand the plan. And, I doubt sometimes whether the feed out from government sources has been quite as complete as it might be in this regard, as a result of which you run into this sort of thing.

I have a number of clippings, with which I do not wish to bore you. I have a four page series, which was going to analyse the Canada pension plan for the man on the street. Written in a popular newspaper was a big headline: "What will the Canada pension plan do for you?" or something to that effect. There was a lot of text and underneath it there was this question—as I say, under this big headline, which people always read: "Who is covered?" This only happened this year. The answer was: "Everyone in Canada". Now, what kind of an impression does that create. Now, you really cannot blame the editors and the newspapers for doing this sort of thing when we have such statements made as have been quoted here today.

Mr. FRANCIS: I have a supplementary question. I wonder if this statement was made at a time when the plan was first proposed, when there was going to be $10 a month added on the old age security as part of the measure.

Mr. RUSE: This is in the August, 1964 white paper, too. Exactly the same words are repeated in there.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Have you a question Mr. Côté?

Mr. CÔTÉ (*Longueuil*): Yes, Madam Chairman. When you retire at the age of 70, Mr. Ruse, and you get $70 or $75 plus $20, as you propose, would you be happy to live on that amount?

Mr. RUSE: I would think that my children and children's children would have done a very good thing for me. I think that would have been very nice. I like the broad basis of old age security. I do think that invading the first dollar or the first dollar after $600 is a good thing. As the tax foundation puts it, it is the last remaining source of taxable income. I do not think it is a legitimate one. I think these people are having too hard a time as it is. But, I am not answering your exact question.

Mr. CÔTÉ (*Longueuil*): I am asking if you personally would be happy when retiring at the of 70 to receive $75 plus $20, as you have suggested, without any other pension plan or other sources of revenue, or something of that nature. Would you be happy to live on that amount?

Mr. RUSE: Well, it is difficult to answer that because it is very difficult for me to project myself into that situation. I would say if I were a poverty stricken person and arrived at that point with no wealth whatsoever of any kind that I would feel that $75 was not very much and that I should get more.

Mr. CÔTÉ (*Longueuil*): Would $95 be sufficient?

Mr. RUSE: But, at the same time I think you will have others saying: "This is fine; I can get along all right on that amount." But, perhaps this is a person who has been receiving money from his family.

Mr. CÔTÉ (*Longueuil*): I am referring to people in your category with a good income all their lifetime. And, I am sure you must have a private pension?

Mr. RUSE: Yes, I have a private pension. This makes me a poor person perhaps to speak in this connection.

Mr. CÔTÉ (*Longueuil*): But you would not be happy to live on $95 a month?

Mr. RUSE: I would have to try if I had nothing else, and this is being done everywhere. I was rather impressed with one of these television documentaries where they go into various homes with television cameras. I am thinking of one in Winnipeg where they went into homes and spoke with retired couples. In one case they went into a men's club where these gentlemen were having a nice time passing the evening, as it were, by playing cards and so on. This man interviewed them about the adequacy of $75 a month—although I believe it was $65 then—and mixed reactions were given. There was a married couple who were most grateful for it. They said they were getting along fine but they were worried if something were to happen to either of them, physically or mentally, any serious illness. But, they said: "We get along." This particular couple have a modest little place with a refrigerator and a gas stove.

Mr. CÔTÉ (*Longueuil*): I think perhaps I had better put my whole question so that you can give a complete answer at the one time.

Mr. RUSE: Yes.

Mr. CÔTÉ (*Longueuil*): There are many categories of people; there are the poor people, those wo do not earn $600 a year.

Mr. RUSE: Yes.

Mr. CÔTÉ (*Longueuil*): They will be very happy to receive more money. If they get a pension in the amount of $75 or $95 they will live better on that amount than they have lived during their lifetime.

Mr. RUSE: It is quite possible, yes.

Mr. CÔTÉ (*Longueuil*): And, the wealthy people have enough to take care of themselves and they do not care. They are happy, or I assume they are.

Mr. RUSE: No, they do not care.

Mr. CÔTÉ (*Longueuil*): They are not concerned with the $75 or $95.

Mr. RUSE: No. We tax it away from them.

Mr. CÔTÉ (*Longueuil*): It does not bother them at all. So, old age security does not do anything for them. And, the poor people during their lifetime who do not earn $50 a week or something of that nature are taken care of by the government.

Mr. RUSE: Do you mean through their working years?

Mr. CÔTÉ (*Longueuil*): Yes. In many situations where the people are unemployed or are receiving very low wages assistance is given to them by way of payment of their hospital and doctor's accounts and so on. The provinces take care of them while they are living.

Mr. RUSE: Yes.

Mr. CÔTÉ (*Longueuil*): But, there are the people in between who make $5,000, $6,000 and $7,000 a year.

Mr. RUSE: Yes.

Mr. CÔTÉ (*Longueuil*): They experience a great deal of trouble. Perhaps they might have some bad luck. However, because they do have a certain earnings capacity the government does not help them so much.

Mr. RUSE: That is true.

Mr. CÔTÉ (*Longueuil*): And they have to pay for all their debts.

Mr. RUSE: Yes.

Mr. CÔTÉ (*Longueuil*): And they are unable to put any money aside for their old age.

Mr. RUSE: Yes.

Mr. CÔTÉ (*Longueuil*): I myself was on the labour force for 20 years before I was a member of parliament.

Mr. RUSE: Yes.

Mr. CÔTÉ (*Longueuil*): I have worked for many different firms and I have worked for myself; I was my own employer but I never had a chance to contribute to a pension plan.

Mr. RUSE: No.

Mr. CÔTÉ (*Longueuil*): Now, I am a member of parliament and I have a pension plan, but it will be 30 years before I receive any benefits. But, just the same, do you not think that we have to think of the people in the middle class who will retire one day with nothing, and they will have to be satisfied with $75 or $95. Do you not think we can give them a plan that will have them retire with $179 a month and that we will then have done something for that category of people?

Mr. RUSE: Well, I appreciate that that is one of the underlying philosophies or objectives of the plan. But, it is not one with which I agree, and I do not think that any amount of philosophy would persuade me to believe it. I believe that a man who is making $5,000 a year is one of our more fortunate members of society. On the average many of us or probably most of us are fortunate. I am not saying that I have not any sympathy for a man who is making $5,000 and has a wife and two children. That is a pretty tight budget to work within. But I would suggest to you that this government, or was it

the preceding government—I forget which—in 1957 amended the income tax and put in section 79 (b) to allow those people who were not in a pension plan to get practically the same concessions and privileges which employees receive in a group pension plan. That was a very wonderful thing that was done in 1957. But, strangely enough, it seems that after that not as many people took advantage of it as should have.

Mr. CÔTÉ (*Longueuil*): Because employers do not pay part of it.

Mr. RUSE: This is quite true.

Hon. Mr. CROLL: You are talking about the savings plan.

Mr. RUSE: This is a retirement savings plan; that is true. I think it is a very wonderful thing you did. I do not know how far a government should go in caring for people who earn above $5,000, which is above the average earned income in Canada.

Hon. Mr. CROLL: Mr. Ruse, that amendment was put in mostly for the professional people who reached a peak and then did not have an opportunity to make any savings because they were then on their way down and their taxes were such that they were unable to save. That was its purpose. As a matter of fact, it is almost exclusively used by professional people; it does not touch the sort of people Mr. Côté is talking about.

Mr. RUSE: That may be true. I have not seen any analysis of the occupation of the participants in that plan, but those were the people who said, "We have a problem." By solving the problem for themselves they opened up a new avenue. The man who makes $5,000 a year would have a taxable income of probably $3,000, or $2,500 if he has two children. If he makes $5,000, he gets $1,000 for himself, $1,000 for his wife, and how much does he get for his children?

Mr. CÔTÉ (*Longueuil*): Three hundred and fifty dollars for each child.

Mr. RUSE: Let us say he makes enough so that his taxable income is $2,500 a year. He pays around 22 or 25 per cent. That is a considerable saving to him.

Hon. Mr. CROLL: Yes, but he is on a very tight budget.

Mr. RUSE: All right. I do not think that that particular aspect has too much to do with it. I will withdraw my observation.

Mr. CÔTÉ (*Longueuil*): But this category of people are Canadians just the same. They are paying income tax, they are working, and so on. Do you not think they have the right to ask the government to make legislation to help them in their old age?

Mr. RUSE: Do you think the government should compel a man who makes an above the average wage in the community to get into a plan? Do not forget this is not just for today, it is for ever and ever. If you look towards the United States you will see that their rate is now 7¼ and it is going up to 8¼ or 9¼, and probably the ceiling will go up. You are not legislating just for those people today; you are legislating for the worker who will be making $5,000 in the future, 20 or 30 years from now. The actuaries show you what happens.

Mr. CÔTÉ (*Longueuil*): Everybody who participates in the plan will have benefits.

Mr. RUSE: Make it voluntary.

Mr. CÔTÉ (*Longueuil*): Why?

Mr. RUSE: I do not see why the government should be their brother's keeper to a person who has above the average income.

Mr. CÔTÉ (*Longueuil*): It is not only designed for those who have above the average income.

Mr. RUSE: Mr. Côté, you and I have completely different opinions on this matter. There is nothing I can say to change your mind and there is nothing you can say to change my mind. We can go on debating all day. I do not want to be rude.

Mr. CÔTÉ (*Longueuil*): All the witnesses that have been before this committee, the unions, the teachers' associations, the workers' associations, have been in favour of this plan.

Mr. RUSE: They do not know these things. Nobody told them these things.

Hon. Mr. CROLL: Were you here last week? Were you here last night?

Mr. RUSE: No, sir.

Mr. AIKEN: I do not think Mr. Côté made a proper observation.

Hon. Mr. CROLL: The Canadian Manufacturers' Association who represent a million and a half employees, the teachers' federation who were here last night, the construction people who were here last night, they have all employed actuaries who have advised them. We can also say the Canadian Congress of Labour, as well as all the others, have employed actuaries. They have come and said so when we asked them questions. They have walked in here and they hip hip hoorayed. They said "There are a few things the matter with it but, go ahead."

Mr. RUSE: I do not think that my being an actuary has anything to do with my observations other than that it enables me to be a little more sophisticated than the man in the street. I do not like what I see and I am concerned about it. I think it is monstrous. I think it is dangerous. I think it is complex and expensive. Those adjectives are selected with the greatest care. If you like me to elaborate on each one, I will.

Hon. Mr. CROLL: I do not think there are any left.

Mr. AIKEN: Madam Chairman, I think Mr. Côté, though probably not intentionally, misstated facts when he said that a lot of the witnesses have come here and have said that this plan is just fine. I do not know of anyone who has come here without some criticism.

Mr. CÔTÉ (*Longueuil*): I said they were all in favour.

Hon. Mr. CROLL: In principle they are in favour.

Mr. MUNRO: Can I ask a supplementary question? I think Mr. Ruse has continuously referred to the $5,000 being well over the average.

Mr. RUSE: I do not think I did so continuously, sir, but Mr. Côté raised the point and I said that $5,000 was above the average today.

Mr. MUNRO: My information would indicate that if we look at the figures, excluding females and the non-fully employed people and leaving only those males who work steadily throughout the whole year to support their families, the national average wage for 1964 was well over $5,000.

Mr. RUSE: I admit that too. Let us take the average wage given to us by the actuaries.

Mr. MUNRO: When you refer to the fact that we should not be providing for people who are well over the average it is worth while to know just how this average is made up.

Mr. RUSE: This is a very valuable observation, I admit. If I may humbly suggest, I do not think you should knock down the $5,000 figure being above the average. If you look into the year book and do some mathematics, divide a figure by another figure, it will give you this.

Mr. MUNRO: When you look at this figure, you will see that $5,000 is less than the average for males who support families and work full time all

the year. You yourself have indicated, in answer to Mr. Côté, that even a man making $5,000 a year with two children is having a pretty tight squeeze. There are many more children than that in many families. When you consider these two points, surely you must feel that provision should be made for such cases.

Mr. RUSE: I do not. I myself believe that in this great country of ours there are opportunities of accumulating wealth for a man who would put even $100 away in a sensible manner and according to his own taste and his own abilities. This does not have to be provided through a pension plan. There are lots of people who are going to retire in much better circumstances than I. I put a lot of money into a pension plan and into insurance so that I may be independent in my old age, but there are many people who have not approached it this way and who are going to be much better off than I in their old age. This is hardly a comparison. If you think I am suggesting that my fortunate situation has a parallel with those whom you are referring to, then I do not mean it that way.

Mr. FRANCIS: I have a supplementary question for the record. I want to refer to the discussion appearing on page 1,615 in the report of the committee of the meeting held on Friday, January 22. We questioned Mr. Andras who represented the Canadian Labour Congress on what were the average payroll earnings. You will see in the proceedings a fair amount of detail regarding the average earnings, and I thought I would like to insert it at this point.

Hon. Mr. CROLL: What did he say?

Mr. FRANCIS: He pointed out that this is a good round figure as concerns the different categories in the manufacturing industry. In 1963, for a composite number of 750,000 people the average was $4,400. In September 1964 it went up to $4,600. He felt that projecting forward to 1966 the figure of $5,000 would be the average figure for the annual earnings in the manufacturing employment in Canada. This plan is not designed for the low income areas. I feel that other measures have to be devised to tackle the problem of rural poverty and other such problems. However, in this particular area of urban employment the payrolls of the manufacting industry showed that the figure of $5,000 is defensible as the average figure for the period we are projecting.

Mr. RUSE: May I conclude from what you are saying that the government's objective is basically to institute a plan of this kind which is designed to provide pensions for those people?

Mr. FRANCIS: Up to average industrial earnings.

Mr. RUSE: You were referring to 750,000 people.

Mr. FRANCIS: I would be happy to set it straight.

Mr. RUSE: You are suggesting that the government's plan is designed to take care of them.

Mr. FRANCIS: I am quoting the previous testimony of a previous witness, and for the record I would like to make it clear that in my opinion the plan should aim at portable pensions to supplement other measures for persons earning in the manufacturing industry up to the average earnings. I think that the figure of $5,000 projected for 1966 at the beginning of the plan is a good average figure for this type of employment.

Mr. RUSE: I accept that.

Mr. FRANCIS: The plan is designed for this situation; it is not designed to tackle the problem of rural poverty, urban poverty or poverty in the Atlantic regions. I think that other supplementary measures will be necessary for these things, but the Canada pension plan is not designed for that purpose.

Mr. RUSE: I like the words "up to", Mr. Francis. Again I am sorry but my figures are reliable statistics based on the 1961 census. The male population as

a whole earning under $500 was 4.6 of the total wage earners. Nine point six per cent earned under $1,000, and 20.6 per cent earned just short of $2,000, while 36.2 per cent earned up to $3,000. Over on the female side, 76.6 per cent and up to but not exceeding earned $3,000. Those are the people with whom the government, in the kind of society in which we live, should be concerned primarily. This should not be "up to" but "down to". The emphasis should be on the "down to".

Mr. CANTELON: Madam Chairman, I have a supplementary question to Mr. Francis' comments.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It should be supplementary to Mr. Côté's questions.

Mr. CANTELON: I think it is.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Go ahead.

Mr. CANTELON: I will ask it later.

Mr. CÔTÉ (*Longueuil*): I have one last question, but first I want to say it was very flattering to members of the Liberal party for the Conservatives to say we legislate for many years ahead—

An hon. MEMBER: But not well.

Mr. CÔTÉ (*Longueuil*): I wonder now if you are still going to change parties because you suggest we should give flat benefits in this plan? It was for the opposition to take the flat rate benefits out of the plan during the last session.

Mr. RUSE: Were you posing a question to me?

Mr. CÔTÉ (*Longueuil*): Yes.

Mr. RUSE: Would you put it a little more precisely?

Mr. CÔTÉ (*Longueuil*): I just want to know if you are still going to change your party?

The CHAIRMAN (*Hon. Mrs. Fergusson*): I do not think this is a question which should be asked of the witness.

Mr. FRANCIS: I hope you will follow the vote of everybody on this committee very carefully before making up your mind on it.

Mr. CANTELON: I would like to ask Mr. Ruse whether he agrees with Mr. Francis' comments that this plan in effect is not designed to assist—if I have not misunderstood what he said—the people who will be aided by the ARDA program and people in the low income areas.

Mr. FRANCIS: I think I said there were problems of poverty in rural areas and that there may be some but not many people assisted in ARDA areas and in the poverty stricken Atlantic areas. Other measures will have to be designed for these people.

Mr. CANTELON: Do you agree that the pension plan does not assist these people?

Mr. RUSE: If they do get assisted, of course, it would be in proportion to their wages. It is the contributors, as it were, to the plan who will benefit from the plan. So, it would have to be a conditional yes. I think my answer would have to be sort of a conditional yes and a conditional no.

Mr. CANTELON: I was under the impression that one of your criticisms to the plan was that these people were not very much helped by the Canada pension plan.

Mr. RUSE: The trouble is I am not sophisticated enough about what ARDA does; if this is a poverty group, it does nothing for them. I think those are the people, and I am very heartily in agreement with Mr. Francis. I do not know whether or not you are talking about people below or above retirement age. If you are talking about people below retirement age, it will not do any-

thing for them for many years, but they are going to be in need of help. This is what ARDA, and so on, does for them.

Mr. FRANCIS: You are saying we should be doing other things rather than this?

Mr. RUSE: Yes. The Liberal government over the years has done quite a good job in trying to pinpoint the needs of the people. This is the first important area in which I have seen the Liberal party move away from the principle that what we are concerned with is poverty and unhappiness today.

Hon. Mr. CROLL: You must talk of parliament and not the Liberal party, because this is a parliamentary measure rather than a Liberal measure.

An hon. MEMBER: No, no.

Mr. AIKEN: The bill is a government measure.

Mr. FRANCIS: The government is a minority government.

Hon. Mr. CROLL: It came here from parliament on an unanimous vote. If my friends think I am moving them a little too close to the bill, it is because I thought they wanted to be joined to it.

Mr. RUSE: I thought this was not perhaps intentional, but that it was at least an unintentional form of blackmail. I think this discussion should have taken place before the second reading. I am being frank with you. I hope you will respect me for being frank. I may be misguided, but I must be frank.

Mr. AIKEN: The official opposition tried to have it referred to a committee before second reading.

Mr. FRANCIS: Nobody held a gun to your head when you voted.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Is this in answer to a supplementary question?

Mr. CAMERON (*High Park*): It is an interjection.

Mr. GRAY: If what Mr. Aiken says is true, I am surprised to see you had so little strength of character.

Mr. RUSE: I must apologize. It is my sincere opinion. I did not say it was intentional. With this uninformed feeling across Canada in favour of the Canada pension plan, I think it would have been most difficult for any politician of any party not to have voted yea on the second reading, because that would have been completely misunderstood. I did read some of the proceedings. They pile up and I do not read them all, but I did read a bit of this. There were some excellent views expressed by people who I know voted yea at that time, but who at the end of the day said they did not know whether they believed in it but they could not afford to vote no because the public would have misunderstood them.

Mr. AIKEN: I have a point of personal privilege in respect of certain remarks made by Mr. Gray, if I heard them correctly, and I hope he will withdraw them. They were the most unpleasant remarks which have been made in this committee. I do not take offence, but he made remarks, as I heard them, which were offensive.

Mr. GRAY: If you consider them offensive, I withdraw them.

The CHAIRMAN (*Hon. Mrs. Fergusson*): I think we should continue with our questioning. Mr. Lloyd is next on the list.

Mr. LLOYD: Mr. Ruse, may I say I thoroughly enjoyed your approach to this problem. I think you are speaking to us more as sort of a practical social scientist rather than as an actuary.

Mr. RUSE: Absolutely.

Mr. LLOYD: You really are not quibbling with the calculations made by the staff in their effort to provide this plan?

Mr. RUSE: I think they have done a wonderful job. I think the bill is a wonderful job, although it is very difficult to read.

Mr. LLOYD: You have given your observations on the whole question of social assistance as you see it and your concern is that the relationship between wage related benefits and public social assistance programs may get out of alignment. What you are saying in effect is that we should be doing more for the poor people of Canada right now than we are doing and that the $75 a month is inadequate. Are you saying that?

Mr. RUSE: I would not like to say it is inadequate, because I think you are a better judge. I do interest myself in it. I would like to see it larger, but I think the whole problem is one of priorities. As I see it, this is a leading question. The point is that our society is riddled with people in need of help. They are not just the people getting $900 at age 70 or over.

Mr. LLOYD: At the moment we finance primarily the cost of old age security with a 3 per cent sales tax, 3 per cent on private incomes and 3 per cent on corporation taxes.

Mr. RUSE: Yes.

Mr. LLOYD: This yields a certain volume of funds and was designed roughly to equate the cost of providing the old age assistance. Are you saying that if the government feels it can justify additional taxes on individuals and on employers equally that this money should be used first to improve old age security? That must be it.

Mr. RUSE: Conditionally, yes; it is a priority if we are going to do something more for our older people which I favour very much. Frankly, I very much like the thought I had that it get a little larger as you become older, more senile and more dependant on other people. I make a very good salary, but I never inherited any wealth in this country. I do not have anything except that which I gained myself as a salaried employee. Somehow or other I never have been very ventursome. However, when I go visting up in Muskoka I see people who have earned income of much less than my own, and I see they have a cottage, an expensive motor boat, and belong to the Muskoka Golf Club. I know they do not make as much as I do. I think this Canada pension plan is tapping wages and so on; I think it is lacking and that we have to make it more balanced.

I think we are feeding this by taxing the poor labourer. If a capital gains tax is the only way, we do not want it. The only way we can get it is through a sales tax.

Mr. LLOYD: Whatever be the way, suppose you were the minister of finance and you chose the sales tax. You are still avoiding my question which is a very simple one. I say: If there was a political possibility of acceptance with additional taxes in some fields it would produce money for the treasury of the national government, and you say that that money should go towards old age assistance.

Mr. RUSE: Yes, and not for the Canada pension plan.

Mr. LLOYD: You say it should not be used for a wage related plan.

Mr. RUSE: That is correct.

Mr. LLOYD: In effect you are against the government engaging in any wage related pension plan.

Mr. RUSE: That is right.

Mr. LLOYD: Is that not in essence your submission, and therefore any gaps which might exist between a private pension plan and the social assistance program should at least not be occupied by the government.

Mr. RUSE: I say that a wage related plan of the kind we have here is not the function of government.

Mr. LLOYD: Do you know of any kind that we should adopt?

Mr. RUSE: I know of no wage related plan presently evisaged, because if you have a fully funded plan it means the accumulation of billions of dollars in resources which are away beyond this thing, and basically there is nothing to it. It is all right if we could get into it, if we had a fully funded plan, but you would have to invest that money, the billions which had been built up; it would have to be invested in private industry and you would, therefore, have government controlling private industry, and that is something which is repugnant to our type of society. So if anything is to enter the field of welfare, it should be on a pay as you go basis every day with the qualification that you are not going to legislate benefits for your children and your children's children which will require them to pay relatively more than I am asking myself to pay.

Mr. LLOYD: You have made yourself clear without the additional observations of how the fund should be invested. That is beside the point. But how do you view the provincial government's efforts to achieve portability with private pension plans? Do you think this is a good thing?

Mr. RUSE: I do not know. I have come here with a brief which has to do with my theory concerning the Canada pension plan and its bearing on O.A.S. Must I traverse into the provincial field?

Mr. LLOYD: No. One of the purposes of the Canada pension plan is to provide portability to workers in Canada. Do you agree that portability of pensions is a good thing and that the government should be concerned with it, or are you against portability?

Mr. RUSE: I am all for portability. But I wonder if you are inviting me to say yes in order to make it seem that I was giving a blessing to the Canada pension plan.

Mr. LLOYD: No, I am not trying to do that at all. Perhaps I can convince you that I am not trying to trap you in my questions. I happen to come from a part of Canada where unemployment is very high. When I come to parliament from the maritime provinces I do not forget about conditions in that part of the country.

Mr. RUSE: I am sure you do not.

Mr. LLOYD: And when I am pursing my questioning of you I am trying to do what I can for that part of the country in concert with the rest of the nation. I am not trying to catch you in my questions.

Mr. RUSE: I must be careful that I do not, for the records, sound if I were giving a blessing to the Canada pension plan.

Mr. LLOYD: All right, we have cleared that up. May I ask you if you would care to do this for me: I have noticed that there are two kinds of funding of private pension plans; there is the underwriting operation, and there is also the trustee plan. In the case of the trustee plan, if I understand it correctly, the contributions of the employer and the contributions of the employee, except for the cost of administration, are fully invested, and each individual eventually is identified with the fund and with the accumulation, to receive annuities in fact, or to receive a pension. Is this not precisely the same way in which the life insurance companies operate their funds, or do they do it differently?

Mr. RUSE: They do it precisely that way. I take it you are speaking of group pensions.

Mr. LLOYD: Yes, I am speaking about underwriting plans which they conduct in exactly the same way.

Mr. RUSE: I would say yes to that, although I am not a group pension man.

Mr. LLOYD: But you do represent some insurance company.

Mr. RUSE: Yes. But as we get big, we become pretty specialized, and I am not involved in that. It is quite correct that the contributions of employer and employee after expenses are held in the fund, and each employee within the fund would have his share.

Mr. LLOYD: In the case of the underwritten plan, suppose there are capital gains. Where do these funds go? Are they treated as profits to the underwriters? I refer to the net of capital gains and losses.

Mr. RUSE: This is in the investment transactions of the insurance company.

Mr. LLOYD: But the underwritten plan, whether it be conducted by an insurance company or by any other type of company, would have to do it in the same way.

Mr. RUSE: Any capital gains or costs or losses for that matter are part of the growth in the funds for the company as a whole and normally these, of course, would be shared by all the participants and policyholders and group pensioners.

Mr. LLOYD: If there were to be a capital gains tax, the insurance companies would find themselves in trouble, would they not?

Mr. RUSE: I do not know what you are getting at. I do not think it has any bearing on this particular issue. I do not like the Canada pension plan, but please do not get cross with me.

Mr. LLOYD: I am not being cross. Do not get that into the record.

Mr. RUSE: You act as if you were mad at me from your facial expression.

Mr. LLOYD: I have found out, and I am sure my colleagues will share this observation, that what appears in that piece of paper may often do one an awful lot of good which he does not deserve, and that sometimes it does him a lot of damage which he does not deserve, because the demeanor in which things are expressed and all the good will and the smiles do not appear on the printed page. I do not want you to put into the record the idea that I am cross with you.

Mr. RUSE: Then please do not put it in.

Mr. LLOYD: I honestly say quite frankly that I do not agree with the conclusions you have drawn.

Mr. RUSE: I would be delighted to pursue your line of reasoning if there were some relationship between it and the particular problem I am dealing with having regard to the Canada pension plan. Is there some similarity?

Mr. LLOYD: One actuary who came before the committee attacked the government's funding of the operation and said it was wrong. I think in essence he criticized a publicly financed pension scheme.

Mr. RUSE: Yes.

Mr. LLOYD: And he tried to indicate there were no funds to cover a future liability and therefore it was actuarially unsound, and therefore it was a wrong thing.

Mr. RUSE: Really I do not look at it that way. I just say that a pay as you go plan, as a government plan, would aid the unfortunate. Now, if you wish to classify people who are making $5,000 a year as being unfortunate, that is your privilege. But the function of government in this area is to finance it on a pay as you go basis.

Mr. LLOYD: In other words, you would like the Liberals to go back on what they originally proposed.

Mr. RUSE: I would like to see the Liberals go back to the 1950 King-Lesage discussions and say: "We think we can give more and do it better in the field of old age security, and give it the name of Canada pension plan, and let it be financed by the resources of this nation and not from the first dollar of wages of the poor people in your constituency.

Mr. LLOYD: With a 3.6 per cent split between the employer and the employee. Thank you.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Now, Mr. Aiken.

Mr. AIKEN: Madam Chairman, I have a number of questions arising out of Mr. Ruse's statement, and I would like to ask him one question. I see it is getting late. I address my question to him as an actuary not as an humanitarian as he has presented himself to the committee today. One of the things you have raised which has not really been pointed out before is the long range economic, or at least the long range actuarial, results.

Mr. RUSE: Are you referring to this?

Mr. AIKEN: Most witnesses have discussed this problem with us, projecting it to 20 years, but very few have gone beyond that period of 20 years. Do I understand it is your belief that after roughly 20 years there will be a drastic change in the financing of this plan, necessarily—an increase in premium or else a deficit position? Is that what I understand from your graphs?

Mr. RUSE: That is correct.

Mr. FRANCIS: I think it was indicated that it was unpredictable, also.

Mr. RUSE: Yes, that is right. I think that is a very good reason for government to be very frightened of it. Your actuary has made a prediction of a low cost and a high cost. I think he is a very sophisticated and excellent actuary, and I think he knows, but he has no pipeline to the Almighty who can predict what is going to be happening 20, 30 or 40 years from now about fertility and immigration and all that. We may be on pills by that time!

Mr. AIKEN: You base your conclusions on actuarial tables and partly on the experience of the United States with OASDI? Is it your opinion, regardless of what has been presented by other witnesses, that after 20 years there necessarily will be an increase in premium?

Mr. RUSE: In the rate of contribution?

Mr. AIKEN: Yes.

Mr. RUSE: Definitely. Definitely, but I would not like to say that the government spokesman, Mr. Gordon, did not say this. He said it here. He said that somewhere around the end of 20 or 25 years of operation, or something like that, there would have to be a readjustment upwards, not necessarily in excess of one third of 3.6, in other words 4.5. What bothers me is that Mr. Gordon stopped there. He is a man I greatly admire and I enjoyed his book very much; and I wrote and told him so. I objected strenuously, however, to the idea of loaning money to provinces. The provinces are having a tough enough time now with municipalities in keeping their heads above water. The urban municipalities are going into debt too fast.

I do admire Mr. Gordon. He is a very, very able man. But that does not mean I agree with him. I enjoyed his book. He stopped after 20 years and never told the house what would happen after 20 years. I do not think he actually needed to do so because I think the house could have obtained the actuary's report and read it, and that part of the actuary's report is really quite simple.

I have not even bothered to try to follow his numerous pages of appendices.

I read the first part of it, and that was enough to tell me that I do not like this. I do not like it at all.

Mr. AIKEN: You yourself believe that after the 20 year period which has been so clearly outlined, when this becomes somewhat a pay as you go plan there will be a crisis in the plan?

Mr. RUSE: Absolutely, and a very, very significant one too. You see, the United States is now jumping its tax rates because the fund grew like Topsy. It has been in force 30 years. It grew like Topsy, and then it started to level off, and now it is going to go down. They cannot afford to let it go down. I certainly do not feel that a provincial government can afford to let it down—nor can the federal government. They are a partnership. They will have to raise the rates but they may not raise them soon enough, and therefore it will become more difficult later.

The substance of my objection is that however it happens, some increase will be required in the rate, and I say that you and I and all of us have no right to legislate something that will require a higher rate of tax on future generations than that which we are prepared to pay today.

Any wage related plan that matures gradually, such as this plan and such as the old age security, is bound to create that problem. I think that instead of looking south of the border and saying in a humble way what a wonderful job they have done, looking up to it, we must remember that they walked into it and enacted it in the depth of the depression in a heck of a hurry. And once you have done it you have to live with it. You will not find any citizen of the United States criticizing the plan openly, but when you get to 9 per cent or 10 per cent, $500 a year with maximum benefit of $127 pension, the employer and the employee could do a lot more just by putting it away into business or bonds or stocks. To heck with the insurance companies. There are many many ways in which people save money. It is a serious problem. They have lived with it and it is accepted as the American way of life, but I do not think we should do the same.

Mr. LLOYD: I thought we were confined to the Canada pension plan.

Mr. RUSE: I am confined to my brief.

Mr. LLOYD: I respected your desire to stick solely to the Canada pension plan and I dropped my line of questioning that went outside that plan. I would ask the witness to do precisely the same now.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any more questions?

Mr. RUSE: This is in my brief.

Mr. LLOYD: Then I am sorry I did not read the brief more carefully. I would not have let you off the hook so easily!

The CHAIRMAN (*Hon. Mrs. Fergusson*): We did not have time to read the brief, Mr. Ruse.

Mr. RUSE: I am sorry it was late.

Mr. KNOWLES: You have made it very clear that you are opposed to the Canada pension plan. I will not try to force you to say anything else. You have also made it very clear that you like the old age security act. You like the job the King-Lesage committee did in 1950. Senator Croll and I never miss an opportunity to enjoy these remarks. He and I can both tell you that it was not easy in that committee to reach the recommendations that came out of the committee.

What does interest me is the number of people who have sat in that chair and have preached a measure of good, old time socialism. You have declared yourself as a free enterpriser, and yet you like, in old age, the equality of old age security. There have been many like you. It is a very attractive proposal. As I say, as a long time socialist I welcome you to the club.

Mr. RUSE: Well, thank you.

Mr. KNOWLES: What I would like to ask you—and perhaps I should have put this question to everyone who has been extolling the virtues of equality in old age—is why do we not continue this and do it right across the board? Why do we not stand for equality in working years as well?

Mr. RUSE: I see. I would suggest to you, sir, that my view or my estimate of the great strength of our free enterprise, capitalistic, private property type of community is in the aggressiveness of this type of community.

Mr. KNOWLES: And in the inequalities of producers?

Mr. RUSE: May I fill in that gap later? I would suggest to you it is a rather harsh sort of society in a way, but it is a very effective type of society in creating the gross national product, if you like, or the bread-basket or whatever you like to call it—the automobiles and so on. This is what it does. Therefore, there is more to share. But in the process of doing this I believe we have injured a lot of people, although not intentionally. They just have not been mentally and physically alert enough or strong enough or aggressive enough or dedicated enough.

I have put myself through university, and there are hundreds of others who have done the same. I worked overtime during the summer holidays to do that; and so have many others. My father wanted me to be a farmer, but if I had stayed in southwestern Manitoba—where the oil wells are, but our property did not have any—I would have done none of the things that I have done in my life. I came from a part of southwestern Manitoba where they turned the buffalo grass over in 1835; it just blew. So, we were very very poor. However, let me get back to my point. I think we have injured these people.

If that is socialism, I am for it—that is, if you do have the free enterprise fight and the man gets the food from the point of view of his wages and what he can do in this society through investing in property or whatever it may be. But in that process he must take care of certain things. It is a form of Christianity.

Mr. KNOWLES: You have told us that this type of free enterprise society is harsh, that it does injury. You want to correct this injury in old age; but I hope you will carry the socialism further and correct is at a much earlier age.

Mr. RUSE: That is a very pontifical observation to make. I am not a very good Christian. I try to be a good Christian but I do not think I am a very good one. I fight with my wife!

The CHAIRMAN (*Hon. Mrs. Fergusson*): Are there any other questions?

Mr. Ruse, I would like to tell you that we appreciate having had an opportunity to hear you present your brief. I think we appreciate your tremendous enthusiasm in support of your own individual reaction to the Canada pension plan. Some of the things you brought out were of special interest. As Senator Croll told you, we have had other witnesses suggest to us that higher benefits should be paid to people as they increase in age, but I do not think that anyone ever suggested the exact formula you have suggested, and I am sure we are interested in it and would probably like to think about it.

We have enjoyed having you. You have certainly brought a lot of life into the committee. We thank you.

Mr. LLOYD: Madam Chairman, I would like to claim the privilege of moving a vote of thanks and appreciation to Mr. Ruse for his complete and very lucid explanation of the position he takes. I want him to leave this committee with the assurance of all the members that we will take into serious consideration the view points he has put forward. While the result may not be in agreement with his ideas, there is bound to be something in his observations that will reside with us, and we will give them every consideration.

(*Acclamation*)

The CHAIRMAN (*Hon. Mrs. Fergusson*): This acclamation shows the agreement of the committee to Mr. Lloyd's motion.

Mr. RUSE: Madam Chairman, Mrs. Rideout, hon. senators and members of the house, I most grateful for the privilege of appearing before you. I have not followed every word of the proceedings because I have not had time, but I know you are very busy and very tired, and I am amazed at the alertness and sharpness you have shown. I do thank you for this privilege. I know it was very difficult for you to make room for me to come, and I am grateful. I hope I am speaking for the little guy on the street. I am not speaking as an actuary; I am not speaking for insurance companies. I am sure each one of you wishes for the success of your political party and the success of your government, and in just the same way I am interested in the success of my company, but at some time or other we must rise above that and think about humanity.

Mr. MONTEITH: Madam Chairman, as I will be out of town for some time I wish to move that Mr. Gordon Aiken replace me on the steering committee.

Mr. MUNRO: I second the motion.

The CHAIRMAN (*Hon. Mrs. Fergusson*): It is moved by Mr. Monteith and seconded by Mr. Munro that Mr. Gordon Aiken replace Mr. Monteith on the steering committee.

Will all those in favour please indicate. Opposed?

Motion agreed to.

Hon. Mr. CROLL: I understand that that will be on a permanent basis, I hope.

Mr. CHATTERTON: Madam Chairman, could you tell us what the procedure is for this afternoon?

The CHAIRMAN (*Hon. Mrs. Fergusson*): This afternoon we are having the International Association of Fire Fighters at 2.30.

Mr. LLOYD: Madam Chairman, this raises a question with which I am concerned. We will be having a steering committee meeting on Wednesday.

The CHAIRMAN (*Hon. Mrs. Fergusson*): No.

Mr. LLOYD: Like Mr. Monteith, I have a problem early next week.

Mr. MONTEITH: The steering committee meets today.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes, this afternoon.

Mr. LLOYD: I have some commitments to meet which I have stalled off for some time.

Mr. KNOWLES: Well, if you do not ask too many questions of the fire fighters this afternoon we would meet that much sooner.

Mr. LLOYD: Then I will take your advice and not put any questions.

Mr. CHATTERTON: Madam Chairman, are those people scheduled for tonight appearing?

Mr. CAMERON (*High Park*): The group which were scheduled for 8 o'clock tonight are not coming.

Mr. KNOWLES: Then the International Association of Fire Fighters is the last delegation appearing before us, unless the steering committee advises otherwise.

The CHAIRMAN (*Hon. Mrs. Fergusson*): Yes.

AFTERNOON SITTING

TUESDAY, February 2, 1965.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, we have a quorum. Today we have with us the International Association of Firefighters. Mr. Bernard Bonser is the vice president of the association and chairman of the pension committee, which means, of course, that he is very knowledgeable about pension matters. I have explained to him that his brief will form part of the record today and that it is not necessary for him to read it. He will explain to us his problem and his solution and we will give every consideration to them. I also told him that he and his delegation will probably be asked a number of questions about the brief and about their problem. I will ask Mr. Bonser to start now and to introduce the other members of this delegation, and then we will proceed.

Mr. BERNARD BONSER (*Vice President, International Association of Firefighters*): Thank you, Mr. Chairman and members of the committee. I certainly want to express our deep appreciation for being afforded the opportunity to appear before you and to express the views of the Canadian professional firefighters in respect of the Canada pension plan. The representatives of our association attending this meeting with me today are the president of the Toronto Firefighters Association, Orville Bolton, and Mr. Haché who is president of the Ottawa Firefighters Association. We also have a few additional delegates out there to give us a little support if the going gets a little rough, as it did this morning.

There is one qualification to what the chairman said that I wish to make. He suggested that I was qualified to speak on pension matters—I assure you I am not. However, we are deeply concerned with the composition of pensions. Our members have been participants of pension plans for many, many years, some of them dating back prior to the turn of the century. We are therefore trying to keep abreast of the complex changes in pension plans, and we have made a few observations in respect of the Canada pension plan and how it will affect our members.

First of all, I think I would like to point out one or two observations we have made. The first one, of course, is that the plan does not make provision for an early retirement for firefighters. In most of our pension plans provision is made for retirement at the age of 60. In a few isolated cases we have pension plans that take effect at an age earlier than 60. We feel that the Canada pension plan as presently formulated penalizes the firefighters who are required to retire before the age of 60. We have noticed that in the bill there is provision for certain selective groups of people who retire at an earlier age than 65. In most cases this seems to be done by exemption from the plan, such as in the case of the R.C.M.P. and the armed services. These groups are unique because usually their term of service and pension starts at an earlier age.

In making this presentation the firefighters are requesting that consideration be given to the years between 60 and 65. These years, which I understand have been referred to as zero years in the previous presentations, are the years with which we are basically concerned. We submit for your consideration possible suggestions on how we feel that amendments to the bill could be brought about, therefore alleviating what we think is a unique problem in regard to the firefighters profession.

In one of the clauses of the bill, I believe it is clause No. 44, "Benefits Payable", we would suggest that instead of the requirement for the attainment of the age of 65, an additional provision be made to provide that, except in the case of a contributor engaged by an employer as a firefighter in which case the retirement pension shall be paid when he has reached 60 years of age, provided that he is retired from regular employment. What this would

do is to permit the firefighter who retires at the age of 60 to receive his pension at that time.

There is an alternative to this suggestion which we have outlined in the brief. We are bringing this before you because at first we had thought to propose to this committee that you amend the bill to provide for retirement of firefighters at the age of 60. However, we are aware of the unique representation that has been made on the bill. We are anxious to see the bill approved to provide a pension for all workers across the country, and therefore we are reducing our suggestions to as minor an adjustment as we could possibly propose. We have therefore suggested that the contributory period in the case of firefighters be set at the age of 60.

In clause No. 49 which deals with the contributory period we suggest that a suitable solution would be to provide that where firefighters engaged by an employer reach the age of 60, provided that they are retired from their regular employment, a deferred type of pension be paid to them at the age of 65. This would have the effect that when a firefighter retires and goes on pension—this is only in cases where he actually retires and ceases making contributions to the Canada pension plan which he would of necessity have to do if he did not take other employment—these years would not be counted as zero years against his time. What would happen is that when he reached 60 years of age the pension could be assessed at that date; however he would not receive it until the age of 65. We think this is a fair disposition of the unique problem that we believe we have in the firefighters field.

As I have indicated, there are situations where firefighters retire at an earlier age than 60. One of our representatives from Toronto can attest to the fact that we have in Toronto a plan which provides for retirement after 30 years of service. The employment age is in general between the age of 21 and 26, therefore a man is eligible for retirement at the age of 51 or 56. In between these years he will have completed thirty years of service. He is not required to leave at that time but we found that the average age at which people retire is 59.6. Of course, in most cases the possibility of a firefighter taking other employment after having reached the age of 60 is very slight. As I have indicated in the brief, the possibility of a firefighter going into business for himself would be rare considering the money he would accrue over the years. We are therefore suggesting that some relief should be given in regard to this five year period.

Let me give you a typical example of the type of plans that prevail with a 60 year maximum compulsory retirement age. We have indicated in the brief that the Ontario municipal retirement system provides for retirement of the police force and firemen at the age of 60. As a result of this, most municipalities are adopting a 60 year maximum age limit for firefighters. Ottawa is a typical example. They have a 60 year retirement age for firefighters. Throughout the west coast and in the province of British Columbia they have a municipal plan which also provides for a 65 retirement age for other employees and a 60 retirement age for the police and firemen.

The maximum retirement age in Vancouver and in most cities in British Columbia is 60 years of age. Even if we look at some of the eastern provinces we find that, for example, in Montreal the maximum retirement age is 60. The same applies in Halifax, Nova Scotia. I think it is pretty well the case across the country as respects firefighters. We do therefore sincerely request that you give consideration to this matter. I do not think we are requesting too much in respect of the years between 60 and 65 because, basically firefighters are covered by adequate pension plans. I hate to use this word which some people might dislike to see in print at a later date, and particularly some of own people. However, in most cases we are covered by adequate pension plans. Therefore, the Canada pension plan would in most

cases be integrated with our present plans. We feel that it would be pretty difficult for the employer sitting at a collective bargaining table to agree to the Canada pension plan being an addition to whatever pension benefits we have at the present time.

Mr. MUNRO: Be careful, this is going on the record.

Mr. KNOWLES: He meant "relatively adequate".

Hon. Mr. CROLL: Basic truths should be encouraged.

Mr. BONSER: That is the unfortunate part of being a firefighter. This is the type of proposal we have. I have indicated that I think it is more or less the rule rather than the exception for municipalities to desire firefighters to retire at an earlier age. In fact, it is more or less in line with the general attitude of the public. I think they do not believe that it should be anyone else but a young, dashing firefighter who runs up the ladder and rescues a damsel in distress, so we would be running in strict competition with the national firefighters underwriters who request the firefighters to retire at an early age. This is more or less the policy that has been adopted by the municipalities. If we found ourselves in a position where our pension plan was being affected by the fact that we had to work until a later age, we would have no alternative but to go against our own conviction and bargain with the municipalities to have the retirement age of firefighters altered to 65. Of course this is something that we as an association do not desire to do, but we would have no alternative if we were placed under the Canada pension plan and we found some areas in which our people would not be receiving equal benefits.

That is basically the things I have to say to the committee, Mr. Chairman.

The CHAIRMAN (*Mr. Cameron*): Thank you, Mr. Bonser, for your presentation. It has been indicated to me that Senator Croll, Mr. Chatterton, Mrs. Rideout, Mr. Munro, Mr. Basford and Mr. Lloyd wish to speak. They will ask you some questions.

Hon. Mr. CROLL: Mr. Bonser, it is a pleasure to see someone coming from my end of the country sounding like a breath of fresh air after what we had this morning.

There is something I do not quite understand. Why is the age of 60 fixed as the retirement age for firefighters? Why is 60 the age limit? You tell us that the British Columbia municipal employees pension plan provides for it, as well as the Ontario plan. What is the reason for it? This seems to be a very early age.

Mr. BONSER: I think it is basically because of the physical aspect of our occupation. There are not sufficient jobs within the fire department to give enough of our people a desk job after they reach age 60; they would just as soon get us out. I think that is the answer.

Hon. Mr. CROLL: I thought you played dominoes.

Mr. BONSER: That is after age 60.

Hon. Mr. CROLL: Were you here last night?

Mr. BONSER: No.

Hon. Mr. CROLL: The teachers presented us with exactly the same problem.

Mr. BONSER: So I understand.

Hon. Mr. CROLL: Therefore, we have the problem before us in exactly the same form and we will have to deal with it later.

Mr. BONSER: I would suggest that there is one difference, I think, in our submission. We are quite aware that the teachers made a submission. The Canadian Labour Congress also made a submission and made reference to our

specific group, I understand, along with the police and the teachers' federations. However, in our occupation there is the matter of the physical problem. We find many of our people are subjected to medical examination. In fact, we have a unique circumstance which has come about in the federal pension scheme whereby a person working as a firefighter can go on to age 65 so long as other employment can be found for him. I am talking about federal firefighters in installation at naval bases, in the air force, and so on. At age 60, if they cannot find a job for him doing some other occupation he has no alternative but to go out. Most municipalities will not give you this option. Once you reach age 60 they figure the door is open for retirement.

Hon. Mr. CROLL: Is it age 60 with any number of years of service?

Mr. BONSER: In most municipalities it is 60 years period. In Toronto after 30 years of service the man may retire voluntarily.

Hon. Mr. CROLL: Would they take you on at age 50?

Mr. BONSER: No. I would say that in 95 per cent of the departments the maximum age is 30, and in some cases it is lower than that.

Mr. ORVILLE BOLTON (*President, Toronto Firefighters Association*): In the city of Toronto it is age 26.

Hon. Mr. CROLL: What is it for the police?

Mr. BOLTON: For the police I believe it is age 30.

Mr. ERNEST HACHÉ (*President, Ottawa Firefighters Association*): In the city of Ottawa it is age 25 maximum.

Mr. CÔTÉ (*Longueuil*): Is that on account of the pension plan?

Mr. HACHÉ: Yes, I would say so, and also because of the physical requirement for service.

Mr. FRANCIS: I would not wish Mr. Haché to be misunderstood. There are persons who do enter the pension plan in the city of Ottawa at ages higher than this.

Mr. HACHÉ: No, sir. Are you referring to the fire service entering the pension plan?

Mr. FRANCIS: I think the firemen of the city are participating in a joint plan with other employees of the city.

Mr. HACHÉ: Yes, sir.

Mr. FRANCIS: And many employees of the city are placed in the pension plan for the first time at an age higher than that.

Mr. HACHÉ: Yes, but not on the fire forces. It is not the pension plan that causes the problem, but rather the procedure and policy.

Mr. FRANCIS: Which are laid down for firemen?

Mr. HACHÉ: Exactly.

Mr. FRANCIS: I do not think it is the pension plan.

Mr. CHATTERTON: Mr. Chairman, Mr. Bonser did you read or hear the Ontario brief?

Mr. BONSER: No, I am sorry, but we did not.

Mr. CHATTERTON: Among other things, they asked, instead of basing the pension on the average earnings during the earnings period and allowing a percentage dropout that the pension be based on the last ten years or best ten years of salaries. Would that solve your problem?

Mr. BONSER: We would have no objection to it so long as we did not have to go to age 65.

Mr. CHATTERTON: I am not critical, but in British Columbia, in any event, in order to compensate for the compulsory early retirement at age 60, the municipality—the employer—increases the contribution considerably to 12 per cent.

Mr. BONSER: I do not know. I know in the Ontario municipal retirement system, the contribution for employees and employers is 5½ per cent for all persons except the police, for whom there is an additional one per cent on the part of both the employer and the employee. I do not think there is any question that the firefighters are not prepared to pay the equal share toward it.

Mr. CHATTERTON: In British Columbia I think the employee pays for 5 per cent and the employer, after a certain number of years, increases his contribution. This does not solve the problem.

Mr. BONSER: No.

Mr. KNOWLES: Before you say categorically that the last ten year proposal would solve your problem—I thought Mr. Chatterton asked if this would solve your problem. At any rate, would it not be a fact that if you had the last ten year basis there would have to be some other provision in respect of how many years you get credit for before you would know what your pension would be; in other words, you would have to know all the angles.

Mr. BONSER: This is the qualification I was going to suggest. It is pretty difficult, unless you can see the whole context of what is intended in the pension plan. Most of our plans are general so that an employee will go out on 50 per cent of his rate. If we are not prepared to participate for long enough to get that rate, it would not be a good plan.

Mr. CHATTERTON: The matter you raise is the period of five years of no earnings. If your pension was based on the best ten or the last ten years, that particular objection would be overcome, would it not?

Mr. BONSER: As the plan reads now, it still would not be effective until age 65.

Mr. CHATTERTON: It does not change that. The five years of no earnings would not mitigate against you.

Mr. BONSER: It would certainly be better than the present arrangement; I would say that.

Mrs. RIDEOUT: Mr. Chairman, I would like to say to the International Association of Firefighters that as a damsel who looks forward to one day being rescued by a firefighter I have no objection if he is over 60.

Mr. KNOWLES: That is a long time away.

Mrs. RIDEOUT: I would like to ask a question for my own personal interest. I am thinking of the pension plan as related to a pension plan for railway employees. I very well could be wrong, but I think probably I am right; when a railway employee is forced to retire before age 60 because of health reasons —he may not be incapacitated; he may be able to work at some other job— he is not permitted to take another job. Is it the same situation for firefighters?

Mr. BONSER: This would be the case in respect of workmen's compensation coverage when people are injured in the line of duty and are required to go off on workmen's compensation. Usually the workmen's compensation board has to be assured that the man is incapable of doing other employment.

We have the age factor. It runs as high as 30 in some municipalities; both in Toronto and in Ottawa the maximum age is 26. They still have to be 25 in order to be hired. The physical requirements enter into it and the standards are fairly severe. When a person gets up in the later years, in the late fifties —I hate to say that—in some municipalities he is required to undergo medical examination. We find ourselves in a position where many of our people even

before the age of 60 are required to retire. This is of great concern to us, because if a man is physically unfit to carry on as a firefighter, say at age 58, his chances of getting other employment in any other occupation are very remote. I think it is almost impossible for someone who has spent a lifetime as a firefighter to adapt himself to any other vocation.

Mrs. RIDEOUT: I am wondering whether you work a 24 hour day and are off 24 hours. Is that the way it is?

Mr. BONSER: No.

Mrs. RIDEOUT: Where I come from our firemen are on duty 24 hours and off duty 24 hours, and in some cases they have jobs which supplement their jobs as firemen.

Hon. Mr. CROLL: You mean moonlighting?

Mrs. RIDEOUT: I did not say that.

Mr. BONSER: Of course, this could be true in some areas. The larger municipalities have restrictions against this; they have municipal bylaws and regulations which prohibit this.

Mrs. RIDEOUT: I was going to suggest they might have a little experience which would aid them procuring a job once they are retired.

Mr. BONSER: Usually in the major cities we find that the fellows are not in a position to be able to do that.

Mrs. RIDEOUT: Thank you very much.

Mr. MUNRO: Under the average private pension plan that you have between the firemen and the municipalitiy, the contribution rates are fairly rich, fairly high, are they not; one example, as mentioned by Mr. Chatterton, is something like 5 per cent by the employees and 5 per cent by the employers. Perhaps you are getting up around a 10 per cent contribution. In the usual case with which you have had experience, what would be the retirement pension for a fireman retiring at age 60? Say he commenced employment at the required age of 26 or 30, depending on the municipality; would you give us some general idea?

Mr. BONSER: This is extremely difficult, actually, because of the different plans that are in existence in every different province. Some have a provincial plan, such as British Columbia. Ontario now has contracted out a new plan which is a provincial plan.

Mr. MUNRO: Do you know what the Ontario plan provides?

Mr. BONSER: It provides on the basis of 2 per cent times the man's years of service, times his career salary. It is based on a career type of salary from the time he starts until he finishes.

It could conceivably be. Let us say for example it is 35 times 2, which is 70 per cent; but that would be of his career earnings. We estimate the average pension to be about 50 per cent of the man's salary when he retires. That is a rough estimate.

Mr. MUNRO: Suppose a man receives 50 per cent of his salary at the age of 60. You are quite concerned about the interval of five years until he qualifies under the Canada pension plan. Is this not in the area of a problem which could be worked out between the firefighters and their employer as far as integration is concerned?

With the Canada pension plan in operation a change could be made in your private plans whereby you could pay richer benefits than 50 per cent for this five year period, from 60 to 65, and when the Canada pension plan comes into operation perhaps the benefits under the private plan could be correspondingly less, so that you would have the same level throughout.

I wonder if the firefighters do not anticipate that perhaps through the bargaining process and negotiation they might work out some type of integration which would allow the private pension plan to take care of the intervening five years that you are concerned about.

Mr. BONSER: That is right, but we would prefer that the Canada pension plan should apply to firefighters at the age of 60. However, as an alternative we suggest that we could do the very thing that you suggest on the basis of leveling out the pension payment from the time the firefighter retires at the age of 60 and his coming up to the average level of 65. However if the provisions of the bill were amended to take care of these five zero years we would then have our people getting average earnings over the time that they contributed.

If there were only one, two or three plans to be negotiated with municipalities, there would be no problem. However we estimate that we have several hundred plans in existence across Canada and it would be very difficult to get all the municipalities to agree to the type of proposition that you suggest.

Mr. MUNRO: The 10 per cent drop-out feature does assist you somewhat as far as the five years of zero earnings are concerned. Firefighter employment relatively has to be compared to other types of employment, and it is of a very steady nature. Probably a 10 per cent dropout would take care of those five years of zero earnings, but it would not be calculated to make them come up to the figure of your average zero earnings.

Mr. BONSER: I agree that there is some slight relief in the 10 per cent dropout. However a firefighter would have to carry on for 50 years if fully employed in order to get the advantage of those five years. Is that not true? Ten per cent would have to work for 50 years to give them the full amount. The average length of working time of a firefighter is 35 years, and this is our problem. We suggest it would be an easy alternative to amend this section so that instead of having to take advantage of this 10 per cent dropout, we might not have to take advantage of any of it by the fact that we would be permitted to take a deferred pension based on the age of 65.

Mr. MUNRO: Your continual dropout partially takes care of one half of the five year of dropout earnings. I suppose if there is an increase in your earnings it would increase the dropout feature, and you would be in favour of it, to increase the percentage of dropouts.

Mr. BONSER: I would be. The only thing I would be concerned about is that I do not think we really require the dropout period. As you say, I think you have more or less hit the problem on the head. We are not a group usually subject to unmeployment. We are a group who have joined the firefighting service as a career type of proposition, and we are aware of this when joining the service at an early age.

I happen to live in a municipality which says we are too old at 60 to carry out young damsels down a ladder. They feel that 60 is a little old, and I have to agree with them too. I think we could recognize that we have a problem rather than trying to patch it up by giving some little extra consideration for the dropout period, and I would prefer to have consideration given on the basis of the feature at the age of 60 if the firefighter is retired. We have a few municipalities which allow the firefighters to continue on to 65, and in that case there is no problem, so this provision would take effect in such a case.

Mr. MUNRO: Outside of the type of course you recommend I can well understand why you like it, I mean outside of taking that particular course. But an increase in the dropout would certainly be beneficial in this particular problem.

Mr. BONSER: If it were increased above the 10 per cent level.

Mr. MUNRO: Thank you.

Mr. BASFORD: Mr. Munro has asked most of the questions I would have asked. I am happy to have the firefighters here, because I have been corresponding with the British Columbia ones for 18 months, and I put some material on record the other night on behalf of the British Columbia firefighters. But just to get their position clear, I take it you really are not asking that pension benefits become payable at an earlier age than they are at the present time?

Mr. BONSER: We would like them to be, but we would rather come before the committee with a valid proposal rather than with something which is new and would not be bona fide. So rather than that we would prefer to see a five year allowance credit granted to our profession.

Mr. BASFORD: If we should give you some special attention how would you define a firefighter?

Mr. BONSER: Under the British Columbia plan they define the firefighters as someone engaged by an employer as a firefighter. Policemen and firefighters go together in that regard. The Ontario system also makes provision for someone engaged as a firefighter. If an employer engages someone as a firefighter, that is the definition. But I think the problem in this area arises if a person retires at an age earlier than 65. If a person was not a firefighfer then the munncipality would not permit him to retire prior to the age of 65.

Mr. BASFORD: Would you say that all firefighters were full time men?

Mr. BONSER: We are only speaking on behalf of full time firefighters. There are voluntary firefighters, but we would not be concerned about them, because they might work at some other vocation.

Mr. BASFORD: I am thinking of the completely volunteer firefighters. Would they not have some part time employment?

Mr. BONSER: Not to any great extent to my knowledge. In most cases they would have a full time man and supplement him with a volunteer staff.

Mr. PRITTIE: Are there any firefighters in the private employment of large companies, and if so, do you represent them?

Mr. BONSER: No, we do not represent them if they are in private industry. I think they would be regarded as being on the same basis as security people, and that sort of thing.

Mr. BASFORD: I think you will find that there are some in British Columbia.

Mr. GRAY: Do you have any contact with full time firefighters employed by the federal government in the Department of Transport?

Mr. BONSER: Yes, we have some contact with them. One of the company's regulations which our people in the Department of Transport find to be repugnant is the provision that at the age of 60 they have to be taken out of active firefighting duty and if possible given employment in some other department. This has not worked out very satisfactorily.

Hon. Mr. CROLL: Is that in the federal statute?

Mr. BONSER: Yes.

Hon. Mr. CROLL: It is 60.

Mr. BONSER: The pension requirement may be 65, but they have to cease active firefighting at 60 and take some other job. There is a list of occupations they can transfer them to, but from our experience at the Halifax dockyard, we have found that there have been few positions open to them. We will find a man sweeping floors for his last five years, and I do not think this is a good position to put such a man in. So very often he will go out with a reduced pension. This is one provision for which we hope to get some relief from the federal government in the near future.

Mr. BASFORD: Do I take it from your answers to Mr. Munro that allowing for the 15 per cent dropout, this would be of considerable assistance to you?

Mr. BONSER: I do not think it is grappling with a solution to the problem. I think it would be going around the problem. I would prefer to see it done in a manner which recognizes that here we have a group of people who are required to retire at 60, and therefore we should make the deferred pension payable at 65 on that basis.

Mr. BASFORD: This exemption would have to apply in fairness to policemen as well. There has been evidence given particularly in connection with female school teachers.

Mr. BONSER: In all fairness I would say it should apply to any occupational group which has a unique employent regulation regarding early retirement. I think the committee would have to recognize that it is something different from the average worker and I think it should be so considered. I think all occupational groups in all fairness should be considered.

The CHAIRMAN (*Mr. Cameron*): Mr. Lloyd.

Mr. LLOYD: Mr. Bonser, we have had this suggestion put to us in other ways. It has been pointed out in answer to other questioners by other groups of employees. It is the question of what you do with persons retiring at the age of 60 and having either zero earnings or lesser earnings than $600 a year in the last five years prior to the opportunity to take a pension at age 65 under the Canada pension plan.

Can you tell us what benefits generally your firefighters' plans provide in the field of dependants' benefits or survivors' benefits? I know what they are in Halifax but I have to speak now in general terms.

Mr. BONSER: I think in the largest percentage of the plans there is some provision for survivor benefits. However, here again, as I say, the pension plans are very different across the country. When you look at a pension plan in one province as compared to a municipal plan in another, you will see there are variations. We only have two provinces, British Columbia and Ontario, in which more or less standard pensions have been set up though in Ontario we only have 50 per cent of the municipalities in which we have firefighting departments participating in the O.M.R.S. plan. So 50 per cent are participating in O.M.R.S. plan with a regulated type of pension plan with survivors' benefits and then we have another 38 per cent approximately with municipalities. So it is difficult to suggest that there is a good survivor clause, because in most cases I do not think it is adequate.

Mr. LLOYD: This is the one matter on which you are really concentrating.

Mr. BONSER: Yes.

Mr. LLOYD: What you are really saying is that by retiring at age 60 your average earnings will be lower by virtue of the fact that you do not usually earn in the five years between the age of 60 and 65? That is what you really say?

Mr. BONSER: Yes, that is right.

Mr. LLOYD: I take it, then, that you have studied the problems of integration and also the advantages. With integration you might be able, through your existing plan and this plan, to accomplish some gains which you have been trying to achieve in other ways. I know there is a case in Halifax where there is a trustee plan which has now been the subject of reappraisal, and the survivors' benefits are being reviewed. They are trying to seek improvements in the survivors' benefits.

Because you did not say it, I presume in fact you are aware that integration of the Canada pension plan with your plan offers an opportunity for improving benefits.

Hon. Mr. CROLL: Mr. Chairman, may I point out to Mr. Lloyd that he ought to be more careful in choosing his language. He has repeated the word "integration" at least half a dozen times, and I notice that one of the firefighting units is in Burmingham, Alabama. It will not go down well at all there.

Mr. LLOYD: I am well aware that the problem of integration is not the same there as it is in the senator's riding and as it is in the province of Nova Scotia, but I do thank you for drawing attention to it.

Now, to get back to the firefighters—and, incidentally, we even solve that problem with the fire department in Halifax—I just wanted to be sure that in concentrating on this five year gap in earnings, the five year period of zero earnings about which you are speaking, in fact you have studied the problems of integration and that you do not have anything to say with respect to it at this time.

Mr. BONSER: I would say—and I may have indicated this at the outset—that we as a group of employees believe in the principles of the Canada pension plan. However, it would be a distinct advantage, we believe, if we were actually exempt from the provisions of the Canada pension plan. We believe the provisions that the majority of the firefighters have in their present plans could be secured through the process of collective bargaining. However, we recognize that not everyone is in the unique position we are in of having an effective weapon at the bargaining table for securing these benefits, and therefore we would subscribe to the principles of the Canada pension plan.

Several Hon. MEMBERS: Hear, hear.

Mr. LLOYD: You provide me with an opportunity to say something I should not say. I would be distinctly out of order if I were to offer you some advice and suggest that you examine your position with regard to going out.

Mr. KNOWLES: I would not say that after the excellent statement the witness has just made.

Mr. LLOYD: He started with one position and ended with another.

Mr. BONSER: We have representatives here from Ottawa who are participating in a plan in which the employees are paying 8 per cent. They have bargained through the collective bargaining process over the table to secure this type of plan. In the city of Toronto, as we have indicated, we have employees who are able to take a pension after 30 years of service even prior to the age of 60. If the provisions of the Canada pension plan jeopardize these pensions, then I would suggest that our people are concerned.

Mr. LLOYD: Frankly, I do not think they will.

Hon. Mr. CROLL: May I ask one question?

Mr. LLOYD: I have almost finished now and then you can go on.

Hon. Mr. CROLL: The question I wish to ask results from something the witness said to you which I think was important, something he said when he spoke of their ability to take care of themselves at the bargaining table.

My recollection—and I could be wrong—is that policemen and firemen under the Ontario act have no right to strike.

Mr. BONSER: That is quite true.

Hon. Mr. CROLL: Then that is a different picture. You are just good bargainers; that is all.

Mr. LLOYD: I think from my questions I am fully satisfied that they are concentrating on one request, and that is the matter of the five years.

The CHAIRMAN (*Mr. Cameron*): Are there any more questions?

Hon. Mr. CROLL: I am just as curious as a cat here. What does a fireman do when he is in good health and quits at 60? What are we getting into here? What do they do in the main?

Mr. BONSER: I think they run for civic office!

Mr. MUNRO: Senators are very sensitive about early retirement!

The CHAIRMAN (*Mr. Cameron*): Mr. Knowles, do you have a question?

Mr. KNOWLES: I have just one question, and I ask only one because obviously we have enjoyed this presentation.

You said, Mr. Bonser, that perhaps you had a preference for getting the Canada pension plan benefit at the age of 60, but you were being reasonable and realistic and were prepared to settle for deferred pension at the age of 65.

I do not want to force you into an opinion that you may not want to associate yourself with, but I wonder if you have been aware of the evidence several witnesses have placed before this committee to the effect that as people get older they actually need increases in their income.

I wonder if what you are asking for as something you are prepared to accept might not be considered as something good; that is, if you go on pension at 60 and if your plan is accepted and you have the knowledge that you will have the addition? In other words, it might not be second best but it might be something good if we can get it for you.

Mr. BONSER: People are optimistic that there will be not be too much conflict with our present plans, and we would be quite pleased if this did happen.

Mr. KNOWLES: This would be an addition that you could look forward to five years later?

Mr. BONSER: If it came about, but we are back in the situation of additional contributions by the employer, and we are always concerned when the employer is required to make an additional contribution. We are concerned about the stand he is going to take in respect of our present plan.

Mr. MUNRO: But you are good bargainers!

Mr. BONSER: Well, we hope we have done a good job here today.

Mr. KNOWLES: Wou have.

The CHAIRMAN (*Mr. Cameron*): I have just one question.

How many persons are represented by your group, in numbers?

Mr. BONSER: We have approximately 13,000 firefighters. We have almost 100 per cent representation of professional firefighters.

Mr. CHATTERTON: I have just one more question.

In the statement in the third last paragraph you say you are in favour of the objectives of Bill No. C-136 which will provide pension benefits for all workers.

Are you aware of the fact that the group which comprise the lowest earnings workers in Canada are not covered by the Canada pension plan?

Mr. MUNRO: That statement should certainly be qualified. I think we are aware that anyone who earns less than $600 a year is not covered.

Mr. CHATTERTON: You may put it in your way but I put it in mine.

Mr. MUNRO: One is the right way and the other is the wrong way.

Mr. FRANCIS: I am not aware that there are any firemen in this category.

Mr. CHATTERTON: I was not referring to firemen.

Mr. FRANCIS: I am sorry; I thought this witness was testifying on behalf of firemen.

The CHAIRMAN (*Mr. Cameron*): If you wish to ask your question Mr. Chatterton, go ahead.

Mr. BONSER: I appreciate from what I have read in the paper and from the context of the bill that there are some people who will not be covered, but it will be a decision for you and not for me whether or not they will be covered.

Mr. KNOWLES: If you had your way they would all be covered?

Mr. BONSER: Certainly.

Mr. BASFORD: There is one man running for civic office!

Mr. CANTELON: Mr. Chairman, I also would like to comment that I am very pleased to have heard this brief because it is nice to know that besides the teachers in the dominion, who want to draw back from 65 to 60 there is also the firefighters' group as well. I think while the teachers do not suffer from the same physical disabilities as firefighters do, they do sometimes suffer from physical disabilities that do not make it possible for them to continue with their work. As I say it is nice to know that one more group has the same argument as the teachers have presented.

The CHAIRMAN (*Mr. Cameron*): On behalf of the committee, we want to thank you gentlemen for your appearance here today. We would like to advise your association that we do appreciate very much the frank discussions of your problem and I can assure you your submission will receive consideration by the committee. Thank you very much indeed.

Mr. FRANCIS: Mr. Chairman, I would like to move a vote of thanks, to be recorded in the minutes, and I am particularly happy that there is such a fine Ottawa representation in the delegation.

Mrs. RIDEOUT: I second the motion.

The CHAIRMAN (*Mr. Cameron*): It has been moved by Mr. Francis and seconded by Mrs. Rideout that a vote of thanks be extended to Mr. Bonser and his associates for their appearance here this afternoon and for the manner in which they presented their brief. All those in favour will please signify in the usual manner.

Motion agreed to by acclamation.

It is a pleasure to have had you with us, gentlemen.

Mr. BONSER: Mr. Chairman, on behalf of our deputation and the Canadian Fire Fighters Association may we say that we do appreciate the comprehensive and the fair manner in which you have listened to our presentation today. We really appreciate it.

The CHAIRMAN (*Mr. Cameron*): I had been informed in respect of the brief presented by the Chesapeake & Ohio Railway Company that they were content to leave it with the committee and not make a personal appearance. But I understand now that Mr. Cuthbert Scott, Q.C., is here and desires to say a few words at this time.

I would ask Mr. Scott to please come forward. We will be glad to hear from you at this time.

I should tell you, Mr. Scott, that what is contained in your brief will be included as part of today's proceedings. It will be completely printed in the record. So, if you will then in a summary way tell us what your problem is and what your solution is we would be pleased. Then there probably will be a few questions directed to you.

Mr. CUTHBERT SCOTT, Q.C., Ottawa (*Solicitor for Great Northern Railway Company, Midland Railway Company of Manitoba, The New York Central Railroad Company*): Mr. Chairman, ladies and gentlemen. I appear for the United States railroads that operate in Canada and, hence, employ Canadian employees. There are six such railroads and they are enumerated in the brief.

I should explain, as your Chairman just mentioned, that my clients were prepared to come here with railroad officials from the United States as witnesses together with persons who are thoroughly familiar with the United States legislation; but, we were led to believe that your committee was running out of time, and while we knew we would be heard if we insisted we thought it would perhaps be a kindness if we submitted our written brief and did not make a presentation to you at this time. Then, just yesterday I heard that you caught up on your time a little bit and I thought rather than have no appearance at all that it would be better if I came and attempted to make a short statement and then answer some questions.

I should say that I do not really represent all the railroads, although I do this afternoon; there are other Canadian lawyers who participated in the written brief who are not here this afternoon because they are engaged elsewhere.

The brief is fairly complete and I do not think it is necessary to read it. Of course, there are one or two excerpts which perhaps are succinctly put there.

In the first place, all the United States railroads are required under the two statutes, the United States railroad retirement act and the United Sates railroad unemployment insurance act to include their Canadian employees under both these acts. Now, all employees who are members of unions or not must be included therein. Canadians have been included since the passage of the railroad retirement act of 1937. The retirement benefits received vary according to the range of service and anyone with more than 10 years of service is entitled to benefits. And then, Canadians are eligible under the United States social security act, which is a third statute and which covers them in part prior to their 10 years period.

Perhaps I should state here what the basis of our submission is. The American railroads operating in the United States are required by the laws of the United States to contribute to those pension plans in force there and it would be unbearable if they were required to contribute with respect to their Canadian employees also because the Canadian employees are getting the benefits of the United States pension legislation.

As it is mentioned at the end of the brief, our submission is that the American railroads should be exempted. But, before coming to that there are one or two other points I would like to mention.

If past experience is any guide the United States railroad retirement and unemployment benefits will be increased in the future. It has been estimated that benefits for the average worker will run between $300 and $400 a month within a very short time. The railroad retirement act also provides for death benefits in case the employee should die before retirement age. The funds are administered by the United States railroad retirement board, an agency of the United States government. No part of the fund is under the control or management of the railroads. In addition, Canadian railroad employees receive unemployment benefits pursuant to the United States statute, which is paid for by a tax levied on the employer only. Under this law it is also mandatory to include Canadian employees.

The retirement and unemployment benefits are completely portable within the United States railroad industry and are co-ordinated with the United States social security system. Incidentally, the Canadian government exempts the United States railroads operating in Canada from Canadian unemployment insurance requirements; that is provided for in section 67 of the regulations under the Unemployment Insurance Act. And, in line with that, it is our submission that the United States railroads operating in Canada should be exempted from the operation of the Canada pension plan.

Now, there are two features in the bill, which you gentlemen, of course, are familiar with. There is section 7(2) (*a*) of the bill, which permits the governor in council to make regulations exempting from the term "pensionable employment" where the laws of a country outside Canada duplicate the contributions or benefits offered by the Canada plan. I appreciate that is a matter for the government after the bill becomes law but, nevertheless, my clients feel if this committee saw fit to make a recommendation it would be of great assistance to us later on.

Then, there also is section 109 of the bill, which provides for reciprocal agreements between Canada and other countries. That has already been discussed by Mr. Thorson back in November, according to your proceedings, and again in December. But, it seems to me that the American railroads, bearing in mind that they are required to provide this plan by their contributions in the United States, should be exempted under the Canadian plan. Also we feel, and the people who are familiar with this pension plan are of the opinion, that the benefits for these Canadian employees, like our friends the firemen, are better under the existing pensions than they would be under the Canada pension plan. I think I am right in saying that Mr. Knowles on a previous occasion also commented upon this subject on behalf of the brotherhood, but I have not seen the text of that.

Briefly, ladies and gentlemen, that is our submission. Thank you very much. I would be pleased to answer any questions which may be put to me.

Hon. Mr. CROLL: Does an American employed by the Canadian National Railways in the United States receive comparable benefits to those received by the United States employees in Canada?

Mr. SCOTT: I would think so but, unfortunately, I am unable to answer that question precisely. Has there been a submission by the Canadian railroads to the committee in this connection?

Mr. KNOWLES: I think it is a fact that a Canadian employee moving back and forth across the line is covered in both countries.

Mr. SCOTT: Yes, and I think the same holds true in the case of an American.

Mr. KNOWLES: Yes, any workman draws the same benefits from both countries.

Mr. MUNRO: Mr. Chairman, perhaps we should hear what Dr. Willard has to say on this question of workers in both countries.

Hon. Mr. CROLL: It is not simply a matter of treaty agreements between the governments wherein they sit down and discuss and decide these things?

Mr. FRANCIS: Yes; they negotiate these agreements.

Mr. LLOYD: Mr. Chairman, I was going to suggest, unless some members wish to raise further questions in this connection, that this would be a matter which would be the subject of a report to us following the public hearings, at which time we would have the benefit of the results of an examination on this question by our working staff, rather than pursuing it now.

Hon. Mr. SMITH (*Queens-Shelburne*): I would like to know whether we are talking about people employed by the United States railroads who are in fact residents of Canada or whether we are talking about people whose residence could shift back and forth.

Mr. SCOTT: We are talking about both, some shift back and forth and some are employed in Canada.

Hon. Mr. SMITH (*Queens-Shelburne*): Are many of these, to your knowledge, Canadians by origin and also residents of Canada?

Mr. SCOTT: Yes, a substantial number. There are 1,600 Canadians employed in the United States railroads. Their duties bring them across the line. Senator Croll would know a lot about that because a lot of them are in his area.

Hon. Mr. SMITH (*Queens-Shelburne*): Mr. Scott, how would you suggest that the following men should be treated, that is men who should, at some time during their working career, return to Canada and be employed completely within the boundaries of Canada? How would you treat this man's past service? He would not necessarily have to be part of the Canada pension plan.

Mr. SCOTT: He may be a full time employee of the United States railroad and he may be living in St. Thomas, for example. In other words, as I understand it, his position does not shift when he comes back to Canada.

Hon. Mr. SMITH (*Queens-Shelburne*): That was not the point I had in mind. My question was, what would happen to a man who is now employed on one of the railroads and who, after ten years' service, decided to work for the C.N.R. down in the maritimes or anywhere else in Canada? What would be his position in regard to the Canada pension plan?

Mr. SCOTT: In so far as I know I would have to say I do not think his pension would be portable. I am not sure of that. My information is that the portability of the United States plan applies to the United States railroads. That again is something that might be worked out very easily by treaty.

Hon. Mr. SMITH (*Queens-Shelburne*): Let us say a man comes back to Canada after 20 years service and he is 45. My point is that under the Canada pension plan he would receive no benefits based on his past working years.

Mr. PRITTIE: He would get a pension cheque from the United States and one from Canada proportionately to his working years here and there.

Mr. MUNRO: The point that was raised by Senator Smith was a factor that was taken into consideration by our task force. I think Doctor Willard could speak on that.

The CHAIRMAN (*Mr. Cameron*): Probably this is an appropriate time for Doctor Willard to make his comments.

Dr. J. W. WILLARD (*Deputy Minister of Welfare, Department of National Health and Welfare*): Mr. Chairman, if you look at the bill, Clause 7 (2) (*a*), page 9, it provides that:

> (2) The governor in council may make regulations for excepting from pensionable employment
>
> (*a*) any employment if it appears to the governor in council by reason of the laws of any country other than Canada that a duplication of contributions or benefits will result.

We put that in specifically to cover the type of cases under discussion now where you might have Canadians employed in United States railways or trucking companies and so forth. We did not feel that we could enumerate all these different types of employment for fear that we might leave some out and we might not be able to have tailor-made solutions to the problem. This is the clause that is designed to try and take care of that situation.

Now the other situation is dealt with in Clause 7 (1) (*a*) where we say:

> (1) The governor in council may make regulations for including in pensionable employment
>
> (*a*) any employment outside Canada or partly outside Canada, being employment that would be pensionable employment if it were in Canada.

That is the case of the C.N.R. employee who is spending part of his time in the United States and part of it in Canada or all of it in the United States.

These were specifically designed to try and take care of this kind of situation.

Mr. AIKEN: I think, Mr. Chairman, what Mr. Scott wants to make sure of is that the United States railways won't be got!

Mr. SCOTT: I think perhaps the best way to ensure that is to have this committee make some reference to it in its report.

Mr. KNOWLES: Mr. Chairman, I wonder if Mr. Scott would be in a position to express an opinion on whether or not his clients would agree to consulting with the employees before a recommendation is made to the governor in council. Some of the employees might prefer integration, some might prefer decking; there might be different points of view.

Mr. SCOTT: I think I can certainly speak for my own clients when I say that I am sure they would. I understood, Mr. Knowles, that you had already spoken on behalf of the brotherhoods.

Mr. KNOWLES: I am glad you give me the chance to say that because the question I have just asked is intended to imply that there are two points of view. Obviously, the companies that you represent would like not to have an extra burden imposed on them, and at least some of the employees would like the plan to be decked. My suggested solution is that there should be consultation between the two or that at least the governor in council consult both sides before making a decision.

Mr. SCOTT: I agree with you entirely.

Mr. WILLARD: Mr. Chairman, I can assure Mr. Knowles that that is what was in mind in putting this in, that there would be representations from management and labour in regard to any of these employees that go across the border before the government makes its plan on how to deal with it.

Mr. KNOWLES: I would agree that that is fair.

The CHAIRMAN (*Mr. Cameron*): Any more questions? I wish to thank you, Mr. Scott, on behalf of the committee, for appearing here. As I have told you, your brief will be printed in our proceedings. I hope we have provided you at least with satisfactory questions and we will certainly consider your suggestions when we prepare our report.

Mr. SCOTT: Thank you very much, Mr. Chairman, ladies and gentlemen. I must appreciate the opportunity of coming here today to say a word on behalf of my clients.

The CHAIRMAN (*Mr. Cameron*): Gentlemen, the steering committee is going to meet shortly. I think they are all here with the exception of Senator McCutcheon. We have no witnesses scheduled for tonight. We were expecting that Mr. Scott's brief would be presented tonight but it has been disposed of this afternoon. I do not know whether the steering committee will come up with a recommendation that might require you to come back tonight, but maybe you can indicate to the steering committee whether you would prefer to have the night off or whether you might usefully come back tonight.

Mr. LLOYD: Mr. Chairman, maybe the steering committee would prefer to have the evening free and would then have more comprehensive observations to make to us in the morning at 10 o'clock.

Mr. CANTELON: Let us not meet tonight. Since you have not got anything definitely planned, it would be much more convenient to all of us if we did not meet tonight and definitely met tomorrow. I will make that motion.

Mr. LLOYD: That is exactly what I meant. I would think the steering committee would want the time to assess the position of this committee and what our next step will be.

The CHAIRMAN (*Mr. Cameron*): It is moved by Mr. Cantelon and seconded by Mr. Lloyd that the committee adjourn until tomorrow morning at 10 o'clock.

Motion agreed to.

Mr. AIKEN: Mr. Chairman, there was one matter I wanted to raise before we adjourned. This morning Mr. Ruse in giving evidence referred to charts which he produced. It seems to me that at least some of his evidence would be difficult to understand without the charts being included in the evidence.

Mr. FRANCIS: And even with them.

Mr. AIKEN: Perhaps so. Would there be any difficulty in having them reproduced in today's evidence?

Mr. BASFORD: We ran into this problem with the Canadian Life Insurance Officers' Association and the production of charts resulted in a delay of three or four days in the printing of the proceedings.

Mr. KNOWLES: Those were more complicated charts, if I might speak professionally. They had to be done over before they were reproduced; these can be photographed as they are.

Mr. AIKEN: Mr. Ruse appeared here as an individual and did not undertake the problem of having those charts reproduced in reduced form for the use of the committee.

Mr. LLOYD: The position now is much more critical. I think we are now at the stage of resolving some recommendations with respect to this bill. We probably need our minutes of proceedings and evidence as rapidly as we can get them.

Mr. AIKEN: If it will hold up the printing, I will not press it. Perhaps the chairman would know whether this would cause any unusual difficulty.

The CHAIRMAN (*Mr. Cameron*): It would hold up the printing. It held it up in connection with the other charts for probably a week on account of the processing that is involved. However, it is possible to do it. This is entirely up to the committee.

Hon. Mr. CROLL: There will be some delay.

Hon. Mr. SMITH (*Queens-Shelburne*): Is it expensive to reproduce that kind of chart?

The CHAIRMAN (*Mr. Cameron*): Mr. Guitard advises me it is rather expensive. They have to reduce them to about one fiftieth of their size in order to get them into the minutes. I do not know how much is involved.

Mr. KNOWLES: I am sure it would not be as difficult to produce these as it was the others. The others were in a brief and they had to be redrawn by an artist; these could be photographed right away. It might involve a day's delay. I wonder if we could not leave it in the hands of our chairman and Mr. Guitard to see if it can be done without too much delay.

Mr. LLOYD: I would prefer it the other way around. The committee should express itself on this because we are at a very critical point in our proceedings.

Mr. KNOWLES: We could agree provided it does not involve more than one day's delay.

Mr. BASFORD: I like the suggestion that it be left in the hands of the chairman who is a very responsible individual, and the clerk who know the procedure.

The CHAIRMAN (*Mr. Cameron*): We are quite willing to accept the responsibility, but I think Mr. Lloyd has made a good point that the committee

should decide first of all whether or not they want it. If they want it and if they want to entrust the responsibility to Mr. Guitard and myself, we will do the best we can to see that it is printed, whether it takes one day or two days.

Mr. LLOYD: It is my thought that any decision we make should not mean that the proceedings will be held up more than a day or two days at the outside. I would like to move, if I may, that the committee agree these charts should be included in the Minutes of Proceedings and Evidence provided, as Mr. Knowles has said, that such inclusion will not delay the printing of the proceedings beyond 24 hours of what otherwise would be the case.

Hon. Mr. CROLL: I do not agree at all. When you put a 24 hour requirement on it you will get a no answer very quickly. We have had to deal with these charts continually in the aging committee. There was never any difficulty in getting it done if we said get it done, and that is it; but if you just sort of leave it to them, they would rather not do it. If you put a time limit on it, they would rather not do it. In fairness to the man who came here and who was on his own, his evidence is going to be a little difficult to understand without that. People will say, what is he talking about? We have to give him that. If we do not have his submission and the one that was made previously, surely we can remember it for 48 hours.

Mr. CANTELON: I agree with Senator Croll.

Hon. Mr. CROLL: I move that it be included in today's proceedings.

Mr. CANTELON: I second the motion.

Mr. BASFORD: I seconded Mr. Lloyd's motion.

The CHAIRMAN (*Mr. Cameron*): I did not hear a seconder. Will you amend your motion so that it is an amendment to Mr. Lloyd's motion?

Hon. Mr. CROLL: I am not making any amendment nor motion. I am suggesting this is the way to do it.

Mr. LLOYD: I withdraw my motion.

The CHAIRMAN (*Mr. Cameron*): It is moved by Senator Croll, seconded by Mr. Knowles, that the charts produced by Mr. Ruse be included in today's Minutes of Proceedings and Evidence.

Motion agreed to.

The CHAIRMAN (*Mr. Cameron*): We will adjourn until tomorrow morning at 10 o'clock.

EVIDENCE

WEDNESDAY, February 3, 1965.

The CHAIRMAN (*Mr. Cameron*): Ladies and gentleman, we have a quorum so I call the meeting to order. The subcommittee on agenda and procedure met yesterday afternoon following the conclusion of yesterday afternoon's meeting of the main committee, and I shall now ask the clerk to read the report of the subcommittee.

The CLERK OF THE COMMITTEE:

TUESDAY, February 2, 1965.

SEVENTH REPORT

The subcommittee on agenda and procedure of the special joint Committee of the Senate and of the House of Commons on the Canada pension plan met at 3:50 o'clock p.m. this day. The joint chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present: Senators Fergusson and Croll and Messrs. Aiken, Cameron (*High Park*), Chatterton, Côté (*Longueuil*), Knowles, Munro.

In attendance: Dr. Joseph Willard, Deputy Minister of Welfare.

Your committee agreed to the following decisions and recommends:

1. That the subcommittee be authorized to prepare a draft report to be considered by the main committee.
2. That the main committee sit "in camera" on Thursday afternoon, February 4, 1965.
3. That the following briefs be printed as appendices to this Committee's Minutes of Proceedings and Evidence, namely:
   (*a*) The Senior Citizens' Advancement Committee.
   (*b*) Age and Opportunity Bureau.
   (*c*) United Fishermen and Allied Workers' Union.
4. That the Communist Party of Canada be invited to submit its brief, as soon as possible in order that it be appended to this committee's Minutes of Proceedings and Evidence.

Respectfully submitted,

A. J. P. Cameron (*High Park*),
Chairman.

The CHAIRMAN (*Mr. Cameron*): You have heard the report of the committee. What is your pleasure?

Hon. Mr. CROLL: I move adoption of the report.

The CHAIRMAN (*Mr. Cameron*): It has been moved by Senator Croll and seconded by Mr. Chatterton that the report of the subcommittee on agenda and procedure, dated February 2, 1965, be approved.

Motion agreed to.

The clerk has handed to me a letter addressed to himself dated January 29 and attached thereto a letter addressed to the Co-Chairmen and members of the special joint committee of the Senate and House of Commons appointed

to consider Bill No. C-136, Ottawa, Ontario, from John Labatt Limited, in which they express certain opinions in regard to Bill No. C-136.

The clerk has also handed to me a letter addressed to himself dated January 28, 1965, and the letter in reply from Mr. P. Ackerman, professional engineer of Montreal, dated January 26, in which he indicates that he intended to make a submission to the committee, and that on January 28 he wrote to the joint parliamentary committee on the Canada pension plan when he set forth certain of his opinions and observations in regard to Bill No. C-136, and his opinion of how pensions and things of that nature should be dealt with.

What is your pleasure? What should be done with these letters?

Mr. LLOYD: Since we are not aware of the contents of them, might I offer as a suggestion that this matter be referred to the subcommittee and that we would hope to have their recommendation?

The CHAIRMAN (*Mr. Cameron*): You mean not to deal with them now?

Mr. LLOYD: If the subcommittee is to prepare a draft report I think we should have as much time as possible and get at it. You might be receiving letters even today again, and I think some policy should be made with respect to a cut-off, and what you are going to print, concerning the remaining ones you may be getting afterwards. This is only a suggestion.

The CHAIRMAN (*Mr. Cameron*): You have all heard Mr. Lloyd's suggestion. What is your reaction to it? Do you approve of it?

Suggestion agreed to.

I do not know whether you have all received this little booklet entitled "Social Security Pension Practice in Western Europe", or whether it has even been filed as part of our proceedings. It may have been filed at some time. It was prepared by the international pension consultants, and I was wondering if all the members have received a copy of it. We can leave it to the steering committee to deal with. It may be that it should just be included in our library.

Agreed.

This morning we are to hear from departmental officials. I do not know just exactly what lines they will be dealing with, but I have no doubt it will be very pertinent to what we have to do.

The steering committee proposes to meet tomorrow morning to follow out the instructions given us and to prepare a draft report. The main committee will meet tomorrow afternoon in camera to consider the draft report and to make such additions and recommendations as they see fit in connection therewith. And on Thursday evening the main committee will meet. After the conclusion of Thursday afternoon's meeting, the steering committee will meet, and on Thursday night at eight o'clock the main committee will have an open meeting, and the proceedings from thereon will be—

Mr. KNOWLES: I thought the decision was that at the steering committee meeting late Thursday afternoon we would then plot our course from thereon.

The CHAIRMAN (*Mr. Cameron*): That is right, but I have not got to that. I intended to come to it. From thereon the steering committee would plot the course, and they would then refer it to the main committee to be confirmed.

Mr. KNOWLES: I thought you were announcing a meeting for Thursday night for the full committee.

The CHAIRMAN (*Mr. Cameron*): It was arranged.

Mr. KNOWLES: No, no. The arrangement was that we were to go only as far as Thursday afternoon when the steering committee would meet and plan for the future.

The CHAIRMAN (*Mr. Cameron*): Mr. Guitard has set it down as being in camera on Thursday afternoon, February 4. That was my understanding of it; and I thought we would meet on Thursday night.

Mr. KNOWLES: You may be right, but I do not think that was the decision.

The CHAIRMAN (*Mr. Cameron*): Well let us leave it at that and now call upon Dr. Willard.

Dr. J. W. WILLARD (*Deputy Minister, Department of National Health and Welfare*): Thank you.

Mr. CHATTERTON: Could we put in a request for certain information at this time?

The CHAIRMAN (*Mr. Cameron*): Yes.

Mr. CHATTERTON: In accordance with the brief submitted by the province of Ontario there was a request that the royal commission on taxation be asked for a preliminary opinion indicating the implications of the Canada pension plan's fiscal policy. I am not suggesting that it be obtained in time for this committee, but it was indicated that such a report could be obtained in as little as 10 days, and I would hope that it would be made available.

Mr. MUNRO: The only indication that a special report could be obtained was in the Ontario brief itself. There is no indication from the Ontario people whether they have checked with the royal commission on taxation to obtain this information or anything else. We can hardly take their word for it. I am not so sure that it is not completely outside the ambit of the royal commission on taxation. Presumably they are examining the whole tax structure of the federal government, and I do not think it is their duty or is expected to be part of their duty to start to supply advice to various committees which are going into matters such as pensions. I think perhaps the suggestion was out of order. I think that is one of the reasons it was not pursued at any great length when Ontario was here. We have no idea when they could possibly make such a report, even if they should feel that it was within their jurisdiction to do so, and I am positive they would feel that it was not. I would be very much opposed to such a suggestion being adopted by this committee at this time.

Mr. AIKEN: Surely one of the things to be considered is whether it is to be done through direct or indirect taxation. I am sure that the royal commission must be giving some consideration to the implications of the pension plan. I think the request was merely that the commission be asked if it was possible for them to give us an interim report. Surely the committee which was established to look into this whole question of pensions should have the best advice it can get, and although Senator Croll suggested yesterday that perhaps a royal commission did not matter in the ultimate, anyway, because their statements are often overlooked, nevertheless, I think the fact that they were set up would leave us in that position that we can get what advice they can give us, if they can give any.

The CHAIRMAN (*Mr. Cameron*): I take it that the motion had not yet been seconded, and that you are seconding Mr. Chatterton's motion, requesting that this information be obtained if possible. I understand that Mr. Francis and Mr. Knowles wish to speak to the motion.

Mr. FRANCIS: Mr. Chairman, I would like to oppose the motion because, as I understand it, this reference in the Ontario brief is generally in the nature of a reference which would ask for guidance on over-all fiscal policy for the government, which I think is beyond the terms of reference for the commission itself. I do not think it is the function of the commission to give advice on this measure, the Canada pension plan; that is specifically for us.

We have had competent advice on the economic report by the Department of Finance; and we have had the evidence of the actuaries from the Department of Insurance, and we have called upon people whose particular interest is most directly related to the measure before us.

I think the result of such a motion would be to delay the matter before us because it would be some time before we could get a reply and, secondly, I do not think it would be relevant to the problem before us.

Mr. KNOWLES: Mr. Chairman, while my comments are in terms of substance they are almost in the nature of a point of order.

As a committee, we have had the right to ask departmental officials who are assigned to this committee to supply us with all kinds of information; and we have done so, and they have done so. But what right have we to ask a royal commission to supply us with information? I suppose under our terms of reference we could summon the royal commission to appear before us.

Mr. FRANCIS: They could refuse.

Mr. KNOWLES: Yes, they could refuse. If this request were to be made at all, I suppose it would have to be by asking the government to add this to the terms of reference of the royal commission. I question really, Mr. Chairman, whether the motion is in order.

The CHAIRMAN (*Mr. Cameron*): Does anyone else wish to speak to the motion?

Mr. LLOYD: Mr. Chairman, I anticipated this possibility of a debate over what we should do with respect to the Ontario recommendation that reference be made to the royal commission and that their opinions should be sought.

You will recall the other day I read a short excerpt from the terms of reference, which I obtained from the privy council.

It would seem to me that when the terms of reference were drawn it was anticipated that the government would be continued and that it would be introducing new measures. And, indeed, new measures have been introduced. There have been extensions to the sales tax and amendments to the Income Tax Act; and now there is a proposal to introduce the Canada pension plan, which does broaden the tax base—call it what you like—of the government.

On the other hand, it seems to me that the terms of reference already require the commission to comment on any events that take place in the meantime. I think if you are to proceed with your decision, the government should proceed with its decision-making in the light of the advice it receives from all its officers. I see no point at this stage in asking for a report from the royal commission. I think of their own initiative they will be examining the implications of it in the light of the other recommendations they may make.

I feel that a royal commission's function is to pretty well identify the facts of problems and, in most instances, you do not accept the recommendations holus-bolus. What they really do is help us to understand better the problems with which they are concerned.

It would seem to me that if you delayed action on this Canada pension plan to await the viewpoint of the royal commission on taxation, you would be simply putting it off for an indefinite period.

I cannot support the motion to refer this to the commission. I think they will of their volition make observations on what we might do in the meantime.

Mr. CHATTERTON: I have not actually made a motion. Originally, I made a request.

The CHAIRMAN (*Mr. Cameron*): If you speak now you will end the debate.

Mr. CHATTERTON: I have not moved a motion; it was a request, in my mind, and I have now put a motion to the clerk.

The CHAIRMAN (*Mr. Cameron*): I will ask the clerk to read the motion.

The CLERK: It is moved by Mr. Chatterton, seconded by Mr. Aiken, that:

> The committee request that the Royal Commission on Taxation be asked whether they are prepared to present a preliminary report on the implications of the Canada pension plan for fiscal policy and the incidence of taxation.

The CHAIRMAN (*Mr. Cameron*): That is a different request altogether.

Mr. CHATTERTON: That is what I say. Originally, I merely put in a request.

The CHAIRMAN (*Mr. Cameron*): We are talking about one thing and you want us to vote on another.

Mr. FRANCIS: I think you should rule whether the motion is in order.

The CHAIRMAN (*Mr. Cameron*): I intend to do that right away. I want to know if anyone else wants to say anything on what is now a formal motion by Mr. Chatterton and Mr. Aiken.

Mr. AIKEN: On a point of order.

The CHAIRMAN (*Mr. Cameron*): Which point of order?

Mr. AIKEN: You have now been asked to rule whether the motion is in order.

Mr. MUNRO: May we hear the motion again?

The CHAIRMAN (*Mr. Cameron*): I take it, Mr. Aiken, I have at some time to make that decision one way or the other—

Mr. AIKEN: Yes.

The CHAIRMAN (*Mr. Cameron*): —if I think there is any question raised. I thought that was what everyone was talking about. I thought they were talking about whether it was in order or not in order.

Mr. AIKEN: No, I think they were talking on the substance of the motion whether we should ask or not ask the royal commission.

The CHAIRMAN (*Mr. Cameron*): Anyone who now wishes to speak on the question of order may do so; you have the floor.

Mr. AIKEN: I think there is nothing in the motion or the original request which one would say was out of order.

Surely, the whole question of the Canada pension plan and its implications have been referred to this committee. We are not admittedly authorized to demand anything from the royal commission. Neither are we competent, perhaps, to summon them. This is nothing more than a request whether or not they can give us an interim report. This will not necessarily delay the committee.

Mr. Chatterton suggested it might be available for the time when the house resumes and we are considering the question in the committee of the whole house. But to say that a royal commission is set up merely to follow along with what happens and try to adjust their findings in accordance with what the government has decided is, I think, a very unusual premise. Surely they are set up to give some guidance. If they are not, then I fail completely to see what is their function.

The CHAIRMAN (*Mr. Cameron*): Mr. Knowles.

Mr. KNOWLES: I would like to speak specifically on the point of order, Mr. Chairman.

I picked up the words Mr. Aiken used—and I hope I do not misquote—that the request is to see whether they would give us an interim report.

I submit, Mr. Chairman, that we did not establish the royal commission; they do not report to us. The royal commission reports—to whom does it report?

Several Hon. MEMBERS: To the Governor General and the governor in council.

Mr. KNOWLES: The royal commission reports to his Excellency the Governor General and the governor in council. For us to attempt to ask them to give us a report on any aspect of the work is seriously out of order.

Mr. AIKEN: I do not believe the term "give us" is in the motion.

Mr. KNOWLES: I did not say it was in the motion.

Mr. AIKEN: I did not ask them to appear here.

Mr. KNOWLES: Mr. Aiken in his argument for the validity of the motion said it was a request that they, the Carter commission, give us an interim report. I suggest we have no right to ask for that.

The CHAIRMAN (*Mr. Cameron*): It was not quite that. It was that the committee request that the royal commission on taxation be asked whether they are prepared to present a preliminary report on the implications of the Canada pension plan for fiscal policy and the incidence of taxation.

Mr. KNOWLES: It is the same thing. Surely if anyone is going to ask that, it has to be the body who appointed the royal commission; and we did not appoint it.

Mr. CHATTERTON: On the point of order—

The CHAIRMAN (*Mr. Cameron*): Mr. Munro is first.

Mr. MUNRO: I would like to completely endorse the position taken by Mr. Knowles.

This is simply a royal commission which has been set up for a specific purpose, and they report to the Governor General. To think that any committee should send them a request and ask them whether they are prepared to render advice on a specific proposal which is a very small aspect of their over-all duties prior to making the report which they have been commissioned to do to the governor in council, is on the face of it completely outside the scope of their jurisdiction and authority. For that reason, as Mr. Knowles has stated, it is unconstitutional and should not be entertained.

Mr. CHATTERTON: Speaking to the point of order, Mr. Chairman, you will note that, as you indicated, the request is merely to ask whether the royal commission is prepared to do this. We are not asking them to submit a report. In other words, there can be no harm in asking any royal commission, in my opinion, whether they are prepared to do so. Secondly, my motion was not a request that they be prepared to submit a report to this committee. It could well be to the governor in council.

I submit, therefore, that the request asking whether they are prepared to submit a report, not specifying to whom, is completely in order. They can refuse.

The CHAIRMAN (*Mr. Cameron*): Mr. Chatterton has spoken and the debate is concluded now.

Mr. KNOWLES: No, Mr. Chatterton was speaking to the point of order. There has been no debate on the motion at all as yet—and I do not think there should be.

Mr. GRAY: On the point of order, I would say briefly that whether the commission as individuals are prepared to give a report or not is not the question. The question is whether we have the power—really have the power— to request and they have the obligation to respond even though they may personally be interested or not interested.

The same thing applies to the issue of to whom, if they are prepared to make a report, they might make it. It seems like an exercise in futility.

Mr. AIKEN: It seems like an exercise in more than that.

Mr. GRAY: Let me finish my sentence. If we do not have the constitutional powers to ask them to report to us, then we get into a whole broad and very vague area of what is going to happen in the report they make to the government, and so on and so forth.

I do not know the Latin phrase, but I think there is some general principle of law for courts, and I guess it follows by analogy for committees, that they do not get involved in matters of a futile nature.

I might also point out that I think it is relevant—though not linked with the point of order—to say that we might be putting the commission and their staff in a dilemma. They have undoubtedly worked on a schedule, and I gather they are in the course of preparing their final report. I think there is a collateral matter to that question of order, and I think we cannot overlook the fact of what is involved. If we do ask for a report we may seriously disrupt the main task of this commission, which is to get out of the over-all report.

Mr. BASFORD: Mr. Chairman, surely you have had sufficient guidance now on the point of order.

The CHAIRMAN (*Mr. Cameron*): In my opinion, I have, but it is not my wish to cut off any members who wish to assist me further in this connection.

Mr. LLOYD: Mr. Chairman, whether or not this motion is in order, it does require some observation at least in respect of what the royal commission has been asked to do. I find it very difficult to interpret their terms of reference to include an appraisal of all the social, financial and fiscal implications of the Canada pension plan. They would not do that. Even if they were agreeable and we were agreeable the only function they would undertake would be a study, if you like, of what the contributions in the form proposed under the Canada pension plan would do in the total picture of tax structure; in other words, they would be identifying forms of taxation, administration and the like, and they could be doing this in any event regardless of what the government might be doing with regard to the funds to be raised. I do not see how their terms of reference would go beyond simply an appraisal of every form of taxation and fund raising by the government. Even if you did agree this was in order you still would not be accomplishing at this time any useful purpose, as I see it.

The CHAIRMAN (*Mr. Cameron*): Have you a comment to make, Mr. Rhéaume.

Mr. RHÉAUME: Yes, Mr. Chairman. If we assume that this committee is something more than an exercise in futility and that we have a responsibility to come up with certain conclusions, after listening to witnesses, and so advise the House of Commons then surely it is within our scope as a committee to recommend that the government make use of all the technical and financial advice and studies that are available to it by asking the royal commission on taxation to give their opinion.

It is my understanding the government is indeed prepared to accept advice and, indeed, anxious to get advice from those people, who can properly advise it, on the financial implications of this plan as well. That being the case, it is certainly proper for this committee to go to the government, when it submits its final report, and say that it recommends that you take advantage of the fact that the royal commission on taxation is sitting now and is looking into the

broad aspects of taxation in Canada, and to ask it to state what it considers are the implications of this plan. Then we wrap that up by a motion of our committee, suggesting that they be asked to prepare that kind of an interim report. If that is not within the ambit of this committee, then this is nothing but a front operation. We are here to give the best advice we can.

Mr. MUNRO: Mr. Chairman, another aspect which has not been touched upon is this. This business of calling people to come before the committee to give advice and opinions, I think, is clearly the responsibility of the steering committee. All along this steering committee has been determining which witnesses will be appearing before the committee, not only governmental officials but those preparing briefs, and makes its recommendation to the main committee. This procedure has been understood from the start. All parties with exception of the Créditistes and Social Credit have been on that steering committee from the beginning. It has been meeting constantly and this suggestion which has been put forward was never advanced at any of these meetings. We had a steering committee meeting yesterday and Mr. Chatterton, who just made this motion, was in attendance at that time. It was suggested we hear from one more official, Dr. Willard, and then we go into the third stage. But not once before yesterday afternoon at 5 o'clock was there any suggestion in respect of the royal commission on taxation. In adhering to propriety alone you would have thought it would have been discussed there if they wished this. In my opinion, this must have been an afterthought following last night's meeting. This is something which should have been discussed at the steering committee meeting and I question very strongly whether it is proper to introduce the question at this time.

Mr. AIKEN: I question that it is proper that discussions held in the steering committee should be made known in this open meeting.

Mr. MUNRO: Everything the committee decided is in the report to this committee.

Mr. AIKEN: We have the written report of the steering committee but we have not a report of all the discussions which took place in the steering committee meeting, and I do not think it is proper for you to discuss that aspect of it.

The CHAIRMAN (*Mr. Cameron*): I think I have heard sufficient.

Mr. CHATTERTON: On the last point raised by Mr. Munro, Mr. Chairman, may I explain that our group met last night and sat until 11 o'clock discussing our proposals and so on, and this is one of the proposals we decided upon last night for the first time.

Hon. Mr. CROLL: Mr. Chairman, it appears to me that what is being requested is strictly outside the terms of reference. But, I think we ought to keep the point in mind that there will be recommendations made by the committee, which will involve implications of finance of one kind or another, and surely we can assume that the government or the minister will look for guidance wherever they can in respect of the implications as a result of the recommendations that we will be making, as well as at the implications of the cost of the plan itself. If there is that advice available I am sure they will look for it and, undoubtedly, will have it before them in order that they may make up their minds in respect of our recommendations.

The CHAIRMAN (*Mr. Cameron*): Members of the committee, I am putting out of my mind the irrelevancies and concentrating on the merit of the arguments. In respect of Mr. Chatterton's very subtle and sophisticated argument, I am still of the opinion, which I formed almost immediately after hearing the motion, that this request was out of order.

I would call to Mr. Chatterton's attention the fact that the Ontario brief did not suggest this committee obtain that information but they did suggest that:

> "The federal government should obtain the opinion of the royal commission on taxation on the implications of the Canada pension plan on fiscal policy and the incidence of taxation. If the tax commission finds that the proposed methods of financing the Canada pension plan is inconsistent with its own recommendations, alternative methods should be considered."

As Senator Croll has observed, that can be dealt with, if we feel we should suggest to the bodies that appointed us that that information should be sought, and that is the way it should be done. The royal commission on taxation has been appointed by the governor in council and it is only to the governor in council that they can report. I also would respectfully submit in respect of your suggestion that it is only through the government and the governor in council that a request could be made for such information. For this and other reasons which I will not elaborate upon but which I think are equally cogent, I am of the opinion the motion is out of order, and I so rule.

Mr. CHATTERTON: In that case Mr. Chairman I will submit another motion:

> That the government be requested to determine whether the royal commission on taxation is prepared to submit a preliminary report on the implications of the Canada pension plan for fiscal policy and incidence of taxation.

Mr. AIKEN: I second the motion.

Mr. KNOWLES: The government did not appoint us; if we make any recommendations along these lines they should be in our report to the House of Commons, as Senator Croll already has stated, and, in effect, your ruling on the previous motion would apply here.

Mr. AIKEN: Speaking to the point of order, the Chairman, in giving his ruling, stated that the previous motion was out of order mainly because it was the government who should make the request, and that is what this motion deals with.

Mr. FRANCIS: Mr. Chairman, I would like to say I think at the time of drafting the report of the committee this would be the time for this point and any others like it to be considered. We should not at this stage undertake to report in a piecemeal fashion. There will be a number of recommendations to the Senate and the House of Commons as a result of the report of the committee and I think these should be considered in a draft report later on in the form of single resolutions rather than at this stage.

Mr. LLOYD: I wonder if I could appeal to Mr. Chatterton, in the light of this discussion, and ask that instead of putting the motion now that he withdraw it and at this stage make a suggestion that the steering committee in drafting their report consider this question, and that he reserve his position on motions until after the draft report is drawn up.

Mr. CHATTERTON: In speaking to whether or not the motion is in order, may I say that even though this committee is appointed by parliament I do not see anything wrong with it making a request to the government. Secondly, the suggestion that this be contained within a report of the steering committee might be acceptable but there is definitely a question of time. It seems to me that the sooner this request is conveyed to the government—and it is only a request—the better. It is the government who will decide whether it will or will not make the request and it is for the commission to decide whether or not they are prepared to make such a report. It seems to me that it is important to

expedite the matter and to provide the committee or parliament with the answer.

Mr. FRANCIS: The best way to expedite business is to come to the point and get down to work.

Mr. CHATTERTON: I had thought all members of the committee would be anxious to obtain all the information that might be available or pertinent, but apparently that is not the case.

The CHAIRMAN (*Mr. Cameron*): Are there any further comments? For the reasons already given I am also of the opinion that this motion is out of order.

Mr. AIKEN: Mr. Chairman, I presume that we neither know nor care what the royal commission is doing.

Mr. KNOWLES: That is an unfair comment on the Chairman's ruling, and Mr. Aiken knows better.

Mr. GRAY: I think Mr. Aiken should withdraw his remark.

Mr. KNOWLES: Just as Mr. Gray withdrew his yesterday.

The CHAIRMAN (*Mr. Cameron*): I would not ask Mr. Aiken to do it. I recognize him as an honest and sincere member of this committee. I feel no aspersions upon myself on account of his observation.

Mr. BASFORD: It is just that the Conservatives met last night and tried to figure out ways to delay the report, that is all.

Mr. KNOWLES: Now that is even, let us carry on.

The CHAIRMAN (*Mr. Cameron*): I would suggest to all members of the committee that if we keep politics or any observations about the motives of any members of the committee out of the discussion, we would probably get along much better.

Mr. FRANCIS: I think the record will speak for itself.

Mr. PRITTIE: Stan and I met last night also, Mr. Chairman.

Mr. KNOWLES: We would like to get on.

Dr. J. W. WILLARD (*Deputy Minister, Department of National Health and Welfare*): Mr. Chairman, members of the committee, you have asked me to say a few words before the committee commences its task of preparing a report on the bill. I cannot hope to comment on all the views and suggestions expressed in the very helpful briefs you have received. In reading these briefs and in listening to the presentations before the committee, members will no doubt have particular points which they will wish to discuss either now or when they are deciding upon the specific suggestions for the report. The government officials will be available to discuss the various provisions of the bill and to explain the technical reasons why certain approaches appear preferable to others which were brought forth during the discussions of the last few weeks.

The committee has had a wide range of views expressed in the briefs with regard to the basic approach. There were those who had accepted a social insurance earnings related type of program as the appropriate method for extending income security to older persons, as well as for survivors and for disabled persons, but who made some suggestions for modifications in the bill. There were those who favoured the extension of flat rate benefits for old age security and supplementary benefits as an alternative to a social insurance approach. There were also those who commented on specific aspects of the bill but who did not offer any alternative approach for the extension of income security to these groups. There were organizations, such as the Canadian Manufacturers Association, the Canadian Welfare Council, the Canadian Congress of Labour, the Canadian Federation of Agriculture, that favoured the earnings related approach over and above the old age security pension. The Canadian Chambers of Com-

merce and the Canadian Life Insurance Officers' Association favoured a flat rate approach. We had some very useful testimony from a number of individuals who gave support to one or other of these views.

I think it is fair to say that the views of the governments that have been working on pensions legislation for quite some time are clear; they favour an earnings related plan. A study of the excellent reports of the province of Quebec which represent a great deal of study into this question indicates that this method is favoured. The Ontario brief, following considerable study over the years by that government, indicates that the Ontario government also favours this approach. At the federal level, both the previous administration and the present administration have also advocated this approach.

There is one point that I should mention at the outset. The Canada pension plan is a social insurance measure designed to provide income security in the years ahead. You are considering now a measure whereby those who are now wage earners can make more adequate provision for their old age and for survivors' and disability benefit. This is an earnings related plan, and an earnings related plan inevitably deals with provision for those who are now working. Quite apart from this planning for the future, there is the question of the existing provisions for those who are now retired. There are a variety of ways in which this question can be dealt with. One method is the addition to the existing old age security pension. Another, and these are not mutually exclusive, would be the provision of more adequate public assistance. The bill before you was not designed to deal with either of these matters. It is only natural, however, when you are discussing the whole question of income security for these groups, that this subject of alternative provision for those who are now 65 or over should be an important part of your deliberations.

One of the basic principles of the bill is that the coverage be comprehensive and I think that this has been generally supported in the testimony before the committee. The legal limitations which place certain restrictions on compulsory coverage have been accepted. We have good reason to believe that in so far as those employed by provincial governments are concerned they will have a favourable response to coverage under the plan.

Administrative feasibility is another consideration that has come up with regard to the coverage. The basic exemption of $600 and the exemption of casual workers are examples of a method whereby this problem is dealt with. There is no use passing legislation to cover certain persons if it is not feasible to enforce the coverage provided, or if it is too costly to collect contributions and administer the benefits. For extremely low income groups, the flat rate benefit is, of course, the main vehicle for providing income maintenance.

The plan originally proposed by the government of Quebec had a $1,000 exemption. Because of the desire to avoid a provision that might be too limiting on coverage $600 was accepted as a reasonable exemption level. It would exempt a large portion of the cases where it would be administratively difficult or uneconomical to collect the contributions. At the same time it had the other advantage that it provided for a graduated contribution on earnings up to $5,000, which favours the lower income groups.

The 1961 census reveals that about 71 per cent of all male wage earners, and 46 per cent of female wage earners with incomes below $500 a year were under 25 years of age. Many of these people would be students working part time or new entrants to the labour force who are now working for the whole year in their first year at work. It should be made clear that the $600 exemption will not likely apply to a great many people for their entire working life. For many people it will apply only for years in which they are sick, unemployed or receiving education, and for these years the drop-out feature offers a way in which compensation could be made.

Persons whose annual income is continuously under $600 a year will be entitled to old age security in the amount of $612 at 65; that is to a pension of

over 100 per cent of their earnings in any year of their working life. If additional revenue is needed for the program, it might be more appropriate to raise the ceiling rather than to lower the floor.

The basic principle followed has been to use the machinery of the Department of National Revenue to make collections. This approach has been followed in the United States and in the United Kingdom. Contributions based on payroll is the normal method that is used for an earnings-related plan. If one takes up point by point the procedures developed, two basic features are apparent. The methods now used under the income tax are to be used wherever practicable in the operation of the plan. Where new procedures especially related to a contributory social insurance plan are needed, the experience of the United States plan has been followed. This has not been the result of any desire to imitate their procedures, rather, it has been the result of a careful and detailed study of the various alternatives.

One point of criticism has been the collection of contributions as soon as possible from persons having more than $5,000 a year. Another has been the fact that while an overpayment by an employee is refunded, the same approach is not followed in the case of the employer contribution. Mr. Meyers testified that the same approach has been followed in the United States and that it has been found acceptable and workable. No matter what procedure is followed in these instances, some difficulties will be encountered. However, on balance, it is considered that the approach suggested in this bill is the most workable solution. Mr. Sheppard will be available to comment on any of these specific points after I have completed my remarks.

There has been a great deal of discussion about cross subsidies in the plan. In some instances there is confusion between a strictly deferred equity approach and a social insurance approach, where one of the purposes is to achieve certain objectives through cross subsidies. Indeed, even in the case of private pensions, past service provisions and other features, provide some measure of cross subsidy.

If a social insurance program is going to require a very long period, say 30 or 40 years, before full benefits are achieved, then there is little advantage over private insurance. When the old age security legislation was introduced in 1951, it was clearly understood that those then retired and those who would retire in the decade or so that followed would, on the average, get much more in old age security benefits than they had contributed. The use of cross subsidies to get a social insurance program into full operation within a reasonable period of time is not an innovation.

There has been some criticism that the higher income groups are getting higher benefits. In making this type of criticism full account was not taken of the old age income security program as a whole. In considering the amount of benefit provided, the flat rate old age security component has to be taken along with the earnings related component. In designing the earnings related portion, the fact that there already was a basic payment below always must be kept in mind. If there had been no such flat rate program already in existence, other features would have had to be included in the earnings related benefit to weight the benefit in favour of low income contributors. The flat rate of $25 a month was provided in the supplementary benefits for this reason.

A second consideration is the basic exemption of $600 for purposes of contribution. This also has weighted the earnings related plan in favour of the low income groups. Further, the $5,000 ceiling places a limit on the amount of pension protection afforded those in the high income groups. Only a fraction of the income of the $10,000, $15,000, or $50,000 a year executive is covered by the plan.

Finally, if you are going to have a contributory earnings related plan, there must be some spread in the benefits received by contributors who have paid in different amounts of contributions over the years. Indeed, the whole

purpose of such a plan is to have some such differential because of the limitations of the flat rate benefit after a certain level of pension has been reached.

The suggestion that a pension should be based upon average earnings over a period of ten years is subject to a number of weaknesses. A ten year earnings base had been considered at one time in the drafting of the Canada pension plan but had not been adopted for a number of reasons.

Use of the last ten years of earnings would be favourable to a number of the more highly paid members of the labour force but it would not work to the advantage of a great majority of wage earners who reach their peak earnings well before the last ten years of their working life. The average blue collar worker in general tends to reach his peak earnings level, perhaps, in the thirties, and the fact that you use the last ten years would work to his disadvantage.

Consideration, then, needs to be given to the use of the best ten years in a person's working life. As such years would, in a great many cases, be years other than the last ten years, payment of a benefit based upon those best ten years would mean the payment of a benefit not in keeping with the contributor's position in the general level of wages at the time he earned those wages because there would have been no escalation of his earnings. Suppose, for example, that a man's best ten years of earnings were from age 45 to 55 and that his wage was two thirds of the average wage in that period. When he retired ten years later and received his benefit based upon those wages, that benefit would be considerably below the benefit payable to the man who had continued to work at two thirds of the average wage which had increased over the ten year period from 55 to 65.

A great part of the labour force is now composed of women whose pattern of employment is such that there may be gaps in their working lives. A benefit based on their ten best years of earnings, which years may well be spread out over a long period, may be considerably below the benefit which would be payable to their colleagues who have remained in the labour force continually and whose wages kept pace with the average. In many cases it will be considerably below the benefit of women fortunate enough to work for the last ten years before their retirement at higher earnings rates.

Mr. AIKEN: May I ask a question of Dr. Willard at this point? If a ten year earnings base were used—either the last ten years or the best ten years—what would this do to the minimum number of years that a person would be required to work in order to qualify; would the 42-year earnings basis be eliminated?

Mr. WILLARD: Mr. Chairman, when Mr. Coward was appearing before the committee that question was not asked of him; that is, how many years would he use. For instance, in the civil service plan it is the average salary of the six best years and you multiply two per cent of it by thirty-five years to get the full pension. Normally it would be a relatively long period. For instance, if the proposition is for a 20 year transition period, it would be at least 20 years but may be 35 or 40 years say.

Mr. AIKEN: This is independent of the ten years. You still require a minimum earnings period of some sort.

Mr. WILLARD: Yes.

Mr. FRANCIS: You cannot just look at the number of years; you must look at the combination in the formula.

The CHAIRMAN (*Mr. Cameron*): Perhaps we should let Dr. Willard continue. I do not wish this interruption to be taken as a precedent.

Mr. WILLARD: The proposal in Bill No. C-136 by which the earnings of each contributor are updated to the time of his retirement overcomes all the above difficulties since each year of earnings is given equal weight in the cal-

culation of the contributor's average wage and since the contributor's relative position in the general wage pattern is maintained. A contributor who works for the 15 years from age 30 to 45 at two thirds of the average wage will receive the same benefit as another contributor who works from age 45 to 60 at two thirds of the average wage. In other words the many and varied patterns of earnings are not so important in the Canada pension plan as in a proposal to use the ten best years of earnings.

There is the further point that Mr. Coward referred to; that is, when you get an adjustment based on an earnings index, it is a gradual adjustment, whereas the other approach would leave it to legislative changes which may come at intermittent times and may result in various anomalies arising between individuals depending upon when the particular legislative changes came into operation. So, in addition to the other points I have made, career earnings adjusted according to an earnings index produces fewer anomalies than either of the other approaches suggested. I might add that in many of these things it is not a case of any approach being right or wrong; it is a case where there can be arguments for and against each approach. We have spent a great deal of time studying these various methods and felt on balance that the approach that was recommended to the government and adopted by the government was the most satisfactory method.

There have been proposals that the escalation of earnings and benefits under the Canada pension plan be done away with altogether, that the earnings index be replaced by the price index, and that the price index be replaced by the earnings index.

Perhaps I should remind you of the roles of these two indexes in the plan. When the decision was made to use average earnings over one's entire career instead of average earnings in one's last ten or best ten years, it was recognized that some method would be needed to update earnings levels that would be up to 30 or 40 years old at the time of retirement. It was decided that the important thing to keep track of was the relationship between one's earnings in any year and the earnings ceiling for that year. The record of earnings would therefore be updated by expressing this relationship in terms of the most recent earnings ceilings. In order to ensure that the earnings ceilings do not get out of line with productivity and average earnings levels, it was decided to relate the earnings ceilings to an index based on the total earnings of all people covered under the plan. This was the extent to which indexing was used in Bill No. C-75.

The Quebec pension committee's report favoured an index based on price levels rather than wage levels, and restricted to a maximum increase in any one year of 2 per cent. This index would be used both to update the record of one's earnings, and the monthly pensions that would in future be paid. The merit of escalating benefits in pay in accordance with rises in the price level was recognized but it was considered that the earnings ceiling should be related to average wage levels, and should increase as wage levels rise. Accordingly, after the transition period, the earnings ceilings are adjusted in line with changes in wage levels, and benefits are adjusted in line with changes in price levels. However, during the transition period, it was felt that the earnings ceiling could be held constant at $5,000, which was higher than the $4,500 proposed in Bill No. C-75. The decision to escalate benefits in pay during the transition period in line with the price index made it impossible to hold to a constant earnings ceiling. Anomalies would have developed as between the pensions payable to widows commencing to receive benefits in one year and those who had been receiving benefits for several years. Therefore it was decided that, during the transition period only, the earnings ceiling would at least have to keep pace with rising benefits; this was achieved by

relating the ceilings in those years to the price index. If the ceilings were to be adjusted by the earnings index in the transition period also, the level of benefits during that period would be even higher than those contemplated in Bill No. C-136, and the so-called "windfall" would be even greater than at present. The gap in benefits between those receiving $75 old age security only, and those receiving the Canada pension plan benefits in addition would be widened.

There has been considerable discussion about the drop-out feature. The teachers mentioned the fact that their profession would be adversely affected in the early years while pursuing their education. The Canadian Manufacturers' Association mentioned this point as well. In addition, the eachers have a problem which is common to the firefighters, namely, they have an earlier retirement age than usual which is usually 60 years of age. This would indicate to me that the drop-out feature should be examined to see whether 10 per cent or 4.7 years is adequate to cover all the contingencies for which it was designed.

Contracting out of private pension plans by the government scheme was raised by some of the witnesses. I should say that a great deal of study was given to this aspect because obviously if it had been a workable approach it would have been helpful in dealing with the integration of private pension plans.

A few years back when I was in Geneva as chairman of the expert committee on social security of the International Labour Organization I had an opportunity to discuss this point with a number of specialists from other countries. They included Mr. Myers of the United States who was a member of that committee. The reaction I received was that it was not workable under the usual type of social insurance plan. I should add too that this reaction has come not only from officials but also from the ministerial level in Great Britain where we received an expression of some misgivings about the contracting out provisions under the British plan.

We do face a special problem in the case of Canada as to how far federal constitutional jurisdiction would give the right to deal with private employers who are not employers under federal jurisdiction in the normal sense, and thus be able to work out a contracting out arrangements for private plans.

In addition to that, of course, this social insurance plan which has features such as early maturity and internal subsidies, survivors' benefits, and so on, makes it very difficult indeed to see how a contracting out provision could be incorporated.

The plan in Great Britain relates only to the retirement scheme and does not involve survivors' and disability benefits. The plan in Great Britain is very close to a deferred equity type of plan and is not similar to the kind of plan which is proposed here or the kind of plan which you have in the United States.

The use of escalation features, of course, further complicates the problem, and it raises two additional questions. As the index rises, the maximum contributory earnings will rise. This means that each time there is a change in the ceiling, there will be a change in the amount of contributions which will have to be deducted for all contributors whose earnings exceed the ceiling.

It would be very difficult for the federal government to insure that such a provision is provided by all contracting out plans. Under the Canada pension plan the earnings in any one year are to be updated by a change in the ceiling between the year the earnings are received and the year in which the benefits become payable. To insure that all benefits payable under deductibility plans were at least the equivalent of those payable under the Canada pension plan from the point of view of our position would be very difficult indeed.

In general our conclusion is that contracting out is not workable under this type of program. The early maturity features and internal subsidies cannot easily be duplicated by private pension plans. Amendments to increase con-

tributions, benefits and other provisions of the public program may be expected from time to time; these would force changes in the contracted out schemes, if they were required to continue to offer benefits comparable to those under the public plan. Finally, as I have mentioned the inclusion of survivors' and disability benefits related to retirement benefits adds a further complication to it.

The question of the cost of the different proposals which the committee has received will of course be of the utmost importance to you. The total outgo under old age security, including the proposals in Bill No. C-136 provide for an expenditure of $975 million, in 1966, and of $1,306,000,000 in 1970. The addition of an extra $10 a month—I take that amount because you can use it as a factor to be applied to any of the proposals received—to persons 70 years and over would add $118 million; and to persons 65 to 69 and additional $63 million.

I think there were other suggestions to make the benefit payable at the age of 65. Even if this were done on a basis of lowering the age of eligibility a year at a time, the costs would rise at a considerable rate, and I would like to mention these estimates for the record. In 1966 the cost would be $998.5 million. This would rise to a cost of $1,579 million in 1970.

Mr. BASFORD: Is that for the ages 65 and 70 all at once?

Mr. WILLARD: No, that would be providing for those aged 69 or over in 1966; and for those aged 68 or over in 1967 and so on, lowering the age as it is provided in the Bill.

Mr. KNOWLES: What would be the total rate?

Mr. WILLARD: Seventy-five dollars a month.

Mr. FRANCIS: That is precisely the Ontario proposal as outlined fully before the committee.

Mr. WILLARD: No, I think the Ontario proposal was to add perhaps $25 over and above this. I am just talking about the cost of old age security at this point.

Mr. KNOWLES: This is a case of lowering it a year at a time, but keeping it at $75 rather than at a reduced rate.

Mr. WILLARD: That is correct. I think one of the briefs presented before the committee suggested that $75 be payable at the age of 65.

Mr. KNOWLES: If we wish to have it in terms of a higher figure we would just add multiples of $10 to the costs already given.

Mr. WILLARD: Yes, that would give you the estimate required.

Hon. Mr. MCCUTCHEON: That would be for any additional cost. The overall cost would be that which you have described?

Mr. WILLARD: That is correct.

Mr. CHATTERTON: This would not mean to apply the earnings test at 65?

Mr. WILLARD: No, that is not applying the earnings test.

I hope the members appreciate that the proposal of applying the earnings test to both old age security and the earnings related plan does involve a bit of difficulty in view of the fact that the federal old age security payment is made in Quebec. How you would work a federal earnings test in that situation I am not sure. Whether Quebec would have to include the federal old age security payment in their earnings test calculations if they had a comparable provision, I am not sure. But this is a point which does raise some difficulty. It is not just as simple as, say, applying an earnings test to both components.

The cost at the present time, in the current fiscal year, for old age security will amount to $882 million. The cost of old age assistance, federal and provincial, will be about $90 million; and supplementation through unemployment

assistance will be about $11.5 million. If you put all these expenditures together you arrive at $983.5 million in public outlays on old age income security at the present time.

If we look back to 1950, 100 per cent of old age income security was on an assistance basis. At the present time, almost 90 per cent of income maintenance expenditures are made under the old age security program, which requires no means or needs test. Slightly more than 10 per cent is provided through social assistance programs. In other words, in the period since the old age security program came into effect we have reduced the proportion in the form of assistance payments to 10 per cent of total public outlays for old age income security.

Mr. KNOWLES: You have reduced it to 10 per cent from 100 per cent?

Mr. WILLARD: Yes, from 100 per cent to 10 per cent. There is another important effect of the universal flat rate pension in addition to the fact that the assistance approach has been gradually diminished in its effect and in its sphere of operation. The proportion of cost or expenditure between the federal and provincial governments took an important shift with the introduction of that program. Whereas in 1951 the federal government was carrying 75 per cent of the cost and the provincial government 25 per cent of the cost, in 1964 the federal government was carrying 94.5 per cent and the provincial governments were carrying 5.5 per cent.

Mr. CHATTERTON: Does that include the combined cost?

Mr. WILLARD: That includes the combined cost of federal and provincial governments. If you take expenditures on the old age security, old age assistance and supplementation through unemployment assistance, the proportion borne by the federal government is 94.5 per cent.

Mr. CHATTERTON: Dr. Willard, the $90 million that you quoted as the cost for old age assistance in the fiscal year is strictly federal?

Mr. WILLARD: No, that is the combined federal and provincial expenditure.

Mr. Chairman, there have been points raised about old age assistance and general assistance, and the need for integration of assistance with the Canada pension plan and the old age security plan. I can only repeat what I have mentioned before, that this is a matter that is under active consideration not only by the federal government but by provincial governments. We have had a number of federal-provincial conferences on this matter, the last of which was in December when the directors of unemployment assistance met to review this question, among others. There will be before too long a meeting of the ministers of welfare, along with their technical advisers, to see if a new approach to public assistance can be developed in Canada.

At the previous discussion, very considerable advance was made. If these discussions continue to move along as favourably as they have until now, I believe we can look forward to some agreement on this matter.

It not only involves old age assistance and disability and blind persons allowances, but also the unemployment assistance program and questions of whether the federal government should share costs of mothers allowances, the medical care costs, costs of administration and so forth. So it is a complex subject that is not limited to old age income security. It is also a matter that, as you can see, is very intimately related to federal-provincial relations with respect to the approach to be followed in shared cost programs generally.

Some mention was made in the hearings about disability and rehabilitation. The disability benefits are to commence in respect of contributors in 1970. I believe the point has been made that there is a need for a close relationship between income maintenance payments and rehabilitation services for the disabled. We had assumed that in the development of the administration of the disability test, as I mentioned, I think to Mr. Rheaume or Mr. Chatterton

earlier, that the applicant would obtain from his own physician a medical report which would be the medical evidence used in reaching a decision on eligibility. If the medical review board considered that a further medical assessment was required, this should be paid by the federal government. In some cases this involves obtaining the opinions of consultants or specialists or of sending a person to hospital for a complete medical check-up in relation to the particular disability. It may be that in the Bill we have made insufficient provision to cover these costs, because we had assumed that we would do it in the same way that we do it now under the disability allowances program. We make provision in our departmental estimates to cover the costs of these medical assessments when they are required. But since the basic principle is that all expenditures in connection with this bill must come out of the plan, it may be necessary to consider whether this particular point is adequately covered in the Bill.

Another aspect that has arisen relates to whether or not there should be a requirement that a person who is applying for the disability benefit or who is receiving the disability benefit should be required to take rehabilitation if it is considered that rehabilitation would restore that person to reasonable health, and thereby make it unnecessary for him to receive the disability benefit—in other words, he could go back to work and be gainfully employed. If the committee wishes to follow this approach we may have to make some additional provisions in the bill. The United States legislation has such an eligibility condition.

When you get into the question of requiring a person to take rehabilitation treatment if he is to continue on his disability pension, you do get into an area that is a little difficult. You get into an area where it is very important that the appeals procedure be there to protect the rights of applicants and beneficiaries. You also get into the question of certain groups, such as Christian Scientists, who would not wish to have this type of medical treatment applied to his case.

The question of safeguards has been mentioned, and I think your discussions with Mr. Coward and the statement which Premier Robarts made with regard to the Ontario views have indicated clearly the importance which Ontario attaches to these safeguards. They are important to other provinces as well. As with many features of the plan, they were the outcome of federal-provincial negotiations. Thus, to some degree the plan has to be considered a negotiated plan. We have tried on many points to reach a consensus of views—not only just of the provinces but also of the federal government's views—with regard to the various parameters, as it were, of the legislation.

During our discussions some questions came up about the advisory committee, as to whether some aspects of it were spelled out as fully as they should be and whether or not this might be done in the legislation rather than leaving it to order in council. I think either way it will work out satisfactorily, but this is a question which the committee may wish to consider.

I hesitate to mention this point after your earlier discussion today about royal commissions and special studies but I would point out to the committee that the Economic Council of Canada in its first annual review did take the trouble to take a look at the pension plan on its own initiative. I, for one, did not know the council was considering the plan. On pages 129 and 130 of that report they have discussed the impact of the pension plan on national saving. I have here the pertinent three paragraphs from that report and if it is agreeable, Mr. Chairman, it might be incorporated in my comments at this time without it being read.

The CHAIRMAN (*Mr. Cameron*): Is that agreeable?

Some hon. MEMBERS: Agreed.

Mr. WILLARD: The paragraphs follow:

> The question arises as to whether the proposed universal contributory pension plans are likely to have significant effects upon the rate of gross private saving, and the flow of savings through the capital markets. Here again the lack of knowledge concerning determinants of saving makes conclusive assessment of future developments difficult. However, calculations based upon the growth conditions we have assumed for employment, income and prices indicate that by 1970 the annual contribution income of the plans (based upon the rate provisions outlined in the federal government white paper) would amount to slightly more than five per cent of total gross private saving. This would be somewhat more than one per cent of the gross national product. Consequently, as the white paper notes, even if this entire sum were diverted from the stream of private saving, the effect on the rate of total saving would be limited.
>
> It has also been argued that in the longer run such a diversion, either from the personal or corporate flow of savings, seems unlikely, particularly under conditions of high and rising real and money incomes. Current studies under way in the United States, as well as the impact of social security development in Canada and elsewhere on the rate of private saving, lend support to this latter view. We incline to the belief that the stability of the rate of gross private saving will not be significantly affected by the introduction of the plans.
>
> On the other hand, it is obvious that the accumulation of the pension funds during the initial period will provide a large and special source of capital financing for the provinces and their agencies. Although the requirements of repayment and interest costs will continue to exert familiar restraints, these governments may be led to expand expenditure on capital projects faster than they otherwise would. We have recognized this possibility in our projections. However, the net result would appear to be one of considerably reduced dependence by provinces and their agencies on the usual capital markets in both Canada and the United States.

The question of residence under the old age security program was raised. The particular point I have in mind here was the point raised by Mr. Knowles and Mr. Monteith in respect of the one year requirement, where the person is using the two for one makeup provision. As it now stands a person in order to receive old age security either must have resided the last 10 years in Canada prior to making application at age 70. As an alternative, the person could have makeup years two for each one of absence in that 10 year period; in other words, he could have 20 other years that could be used to make up for this last 10 year period. However, if that is done, he must in addition have resided in Canada for the last year before making application for pension at age 70. This has created an anomalous situation with regard to married couples where the wife is a few years younger than the husband and they decide to leave Canada. The husband may be receiving his pension at the time they leave at age 70. Then in due course the wife reaches the age of eligibility for pension but unless she comes back and spends one year in Canada she cannot receive the benefit. By lowering the age of eligibility to 65 many of these anomalies that have occurred in the past with respect to persons between the ages of 65 and 69 will be resoslved. The question which has now been raised is what about those just below age 65? As the minister mentioned, she would be glad to hear the views of the committee in this regard. You might wish to consider a lengthly period of residence in Canada after attaining the age of 18 years or 21 years sufficient to extend over the person's working span. Some such approach might be considered to cover the type of problem which has been raised.

Mr. Chairman, I have taken a very considerable amount of your time and I must apologize for it.

The CHAIRMAN (*Mr. Cameron*): You do not need to apologize.

Mr. WILLARD: There are many points I have not covered.

The CHAIRMAN (*Mr. Cameron*): Your comments have been very thorough and have been of great assistance to the committee.

Mr. WILLARD: Other officials are here today and if the members have any questions perhaps we could deal with them at this time.

Mr. CHATTERTON: Mr. Chairman, can Dr. Willard tell us when certain information which has been requested might be forthcoming. I realize the staff is very busy but it would help us in determining our schedule.

Mr. OSBORNE: May I ask Mr. Chatterton which particular items he is making reference to?

Mr. CHATTERTON: One was the figures given in chart II of the Canadian Life Officers Association for other years, and the other was the Ontario plan costs for two other years, 1980 and 1990.

Mr. OSBORNE: As far as the last request is concerned, it was made on Monday when the province of Ontario was here. I did provide the data for 1970. I have not had an opportunity either of calculating the data for 1980 and 1990 or to pass on the request to the chief actuary because he calculates the data regarding extra contributions that might be expected from removing the $600 exemption.

Mr. FRANCIS: A question was also put in that respect.

Mr. OSBORNE: The first concerned the review of chart II of the Life Insurance Officers Association brief and the projections of that for several other years. That also is in the hands of the department of insurance and I have not recently heard from them when it might be available. However, I have just been informed by the chief actuary that it is almost ready now and, if that is the case, we would hope to have it available to the committee in a few days.

Mr. CHATTERTON: Did you say the information on the Ontario plan is almost ready?

Mr. OSBORNE: As I said, I have not had an opportunity to pass on to them the request until this moment.

The CHAIRMAN (*Mr. Cameron*): I do not know whether or not we want to get into the area of general discussion on Dr. Willard's statement. My opinion is that we should request explanations or information in respect of matters which are not entirely clear, but if we go into a real general discussion at this time I do not think we will get the benefit of what they have come to tell us today. That is only an observation. Do you think we need a general discussion at this time?

Mr. LLOYD: Speaking only for myself, Mr. Chairman, as I sat here and listened to Dr. Willard's presentation, even though I am out of order, I must say how greatly I valued the explanations he has given. I am sure we all appreciate it. I am greatly impressed with the job which Dr. Willard has done in trying to explain the decisions in the bill which is before us in the light of the criticisms, some of whch have been contructive, which have been put before us. But, I think the only way we can do justice to it now would be to hear his statement as rapidly as possible and, in that way we would be able to proceed with the next step in our work as expeditiously as possible.

The CHAIRMAN (*Mr. Cameron*): Apropos that I doubt very much whether we could have the printed record by tomorrow morning. However, the uncorrected copies of the transcript would be in the hands of the clerk. I would

suggest that any of the members who want to see it should go there. I would suggest that you all go in a group and peruse it there, otherwise it will be spread all over the place and no one will get the benefit of it.

Mr. GRAY: Mr. Chairman, perhaps I have a more specific suggestion along these lines. It may be that though the facilities of the department it could be mimeographed. It is very necessary that we be in a position to peruse his comments as soon as possible.

Mr. CANTELON: I agree wholeheartedly that we should have the benefit of reading these comments as soon as we can, and if we cannot get the report I think we ought to have it mimeographed. Dr. Willard's criticisms were very pertinent and I think we all would like to read them, and the sooner the better.

Mr. LLOYD: I for one appreciate the promptness with which Mr. Willard has dealt with these matters but I agree that we should be in a position to read the evidence as soon as possible.

The CHAIRMAN (*Mr. Cameron*): Dr. Willard, can you supply an answer for us?

Mr. WILLARD: I had great difficulty getting these comments together in the time available after your request for my comments. Some of it was prepared and some was impromptu. I will try and put together as much as I can of the material and have it reproduced so that it will be available to your committee. But, it may not completely correspond with that of the record of my testimony to-day.

Mr. KNOWLES: It could be identified as notes used.

Hon. Mr. CROLL: Yes, working papers.

The CHAIRMAN (*Mr. Cameron*): Is that suggestion agreeable to the committee?

Mr. BASFORD: Mr. Chairman, the rough transcript would be ready in a very short time.

The CHAIRMAN (*Mr. Cameron*): I did make the suggestion that the transcript would be in the clerk's office.

Mr. BASFORD: Perhaps Dr. Willard could work from the transcript. I imagine it would be ready in half an hour.

Mr. KNOWLES: Perhaps we could make a photostat of the transcript.

Mr. FRANCIS: Mr. Chairman, I think we should leave this with Dr. Willard so he can resolve the situation.

Hon. Mr. CROLL: While other members are thinking of questions, Mr. Chairman, I would like to raise two matters.

Mr. FRANCIS: I have two as well.

Hon. Mr. CROLL: Well, if you wish, go ahead.

The CHAIRMAN (*Mr. Cameron*): As I mentioned before, I do not think it is advisable to get into a general discussion at this time. I think we should be concerned only with clarification of certain things which Dr. Willard has said. But, if you want to hold a general discussion, it is up to the members of the committee.

Hon. Mr. CROLL: Both matters I wish to raise have been referred to by Dr. Willard and are not of a general nature.

The CHAIRMAN (*Mr. Cameron*): Mr. Knowles is first, followed by Mr. Chatterton and then you, Senator Croll.

Mr. KNOWLES: Mr. Chairman, I wish to direct a question for clarification. I want to be sure I am understanding some of the figures which Dr. Willard

gave us in respect of old age security. I will put down what I have done and if I have done it incorrectly I will be glad to be corrected.

I gather that you said that if old age security at $75 a month were made available to those aged 65 and up, coming down a year at a time, that in 1970 the total cost would be $1 billion 579 million?

Mr. WILLARD: That is correct. That includes some escalation but that is in the proposal.

Mr. KNOWLES: That is what it would cost in 1972 if you paid everybody who is 65 and over $75 a month.

Then, in another portion of your presentation you said that to add $10 a month—we can do the multiplying for higher amounts if we wish to—would cost $118 million a year for those 70 and over, $63 million a year for those 65 to 69, or a total of $181 million. Am I correct or not?

Mr. WILLARD: In 1966.

Mr. KNOWLES: But if we had that figure escalated to 1970 what would it be?

Mr. WILLARD: It would be $125 million for those 70 and over and $69 million for those 65 to 69, or a total of $194 million.

Mr. KNOWLES: So I could add $194 million to the $1,579 million you already got, and get $1,773 million?

Mr. WILLARD: That would be very close to the figure you are after. I am sorry there is escalation included in the $10 a month estimate but the additional amount involved would be small.

Mr. KNOWLES: This would be close to an estimate of what it would cost to pay $85 a month to everyone at the age of 65 in 1970. It would be a smaller figure for the earlier years according to some de-escalation, but at any rate we know what the figure is and we can look at it in relation to what we are now spending on old age security and other plans.

Mr. WILLARD: Yes.

Mr. KNOWLES: All I wanted, Mr. Chairman, was that clarification.

Hon. Mr. SMITH (*Queens-Shelburne*): What was the total figure?

Mr. KNOWLES: The total figure for 1970—if my quick arithmetic was correct—was $1,773 million for $85 a month paid to everyone 65 years of age and over.

Mr. WILLARD: Mr. Chairman, I have the figure for 1975, if Mr. Knowles wants it. That is for the $75 a month—this would project the costs a little further. It is $1,931 million in 1975.

Mr. CHATTERTON: At what age?

Mr. WILLARD: At the age of 65 and in the amount of $75 a month. That corresponds to the figure of $1,579 million.

Mr. RHÉAUME: Do you have, by any chance, a figure of what the old age security cost will be if the program remains unchanged in 1970?

Mr. WILLARD: Yes, if it remains unchanged but as in Bill C-136 the figure will be $1,306 million in 1970.

Mr. CHATTERTON: Is that in 1975?

Mr. WILLARD: No, in 1970.

Mr. KNOWLES: The reason why you gave us the year 1970 was that you postulated the idea on coming down a year at a time starting in 1966; that is to pay the full amount in 1966 at the age of 69, the full amount in 1967 at the age of 68, and so on. This is a different postulation to that in Part 4 of the bill which proposed paying old age security at reduced amounts.

Mr. WILLARD: That is correct. I could give you the amounts for each year as the age is lowered, if you would like them.

Mr. KNOWLES: With the idea of coming down a year at a time?

Mr. WILLARD: This is the estimated total cost of paying a flat rate benefit of $75 a month to persons aged 69 and over in 1966, 68 and over in 1967, 67 and over in 1968, 66 and over in 1969 and 65 and over in 1970 and thereafter. In the following estimates a fertility-high immigration assumptions have been applied. The benefits are assumed to have been escalated at a rate of 1½ per cent annually from 1967 on. In 1966 the estimated amount is $998.5 million. In 1967 it is $1,109.4 million. In 1968 it is $1,248.9 million. In 1969 it is $1,404.5 million. In 1970 it is $1,579.3 million. In 1975 it is $1,931.3 million.

The CHAIRMAN (*Mr. Cameron*): All this information is going to be available for us tomorrow.

Mr. KNOWLES: These were additional figures that were not included in the earlier statement. I am grateful to Dr. Willard for producing them.

Mr. CHATTERTON: In your comments on the difficulty of collecting if you remove the $600 exemption you said that if you wanted to get more revenue you should increase the upper ceiling. If that were done, do you have in mind that the percentage would be decreased? Otherwise you would actually increase the spread. You did not say it but I wondered if you had it in mind.

Mr. WILLARD: What I had in mind was that either way you take it you are going to have administrative difficulties with the very low income people, people that are casual workers, in and our of the labour force. Some of them are students and so on. One way of doing it is to go through a whole list of these categories and in one way or another, probably mostly through regulation, you would exclude them. Another way of achieving it is to set a minimum amount. We have done it in the primary industries for casual labour with the 25 days or $250 provision.

The second way of doing it is this basic $600 exemption. We think we have set it at a level where it will solve a lot of these administrative problems and yet will not cause any severe hardship with regard to coverage.

Mr. CHATTERTON: And yet you did say that if you wanted to get more revenue it would be better to raise the upper ceiling. I thought you said it, anyway.

Mr. WILLARD: One of the witnesses before the committee suggested that by removing the $600 you would get a lot more revenue. I am not as optimistic on how much more revenue you would get from these people that are thereby excluded. Most of your revenue would come from the people who are already covered, in other words who are not exempted by the $600. Therefore, if it is just extra revenue you want, another method would be to raise the ceiling.

Mr. PRITTIE: I did not understand that point, raise the ceiling but not the benefits? Is that the suggestion?

Mr. WILLARD: Here again I was referring to the testimony that in order to finance certain additional benefits that were proposed, the suggestion was to remove the $600 limit and therefore get more income. All I am saying is that as far as the people that are excluded are concerned, you are not going to get too much more income from them because you would end up, either through the Act or regulations, by excluding a lot of them. Therefore, if it is the money you want, you could arrive at it in a different way.

Mr. PRITTIE: The Canadian Welfare Council said something about raising the ceiling. I do not remember their answer now.

Mr. CHATTERTON: Mr. Chairman, may I get a clear answer to this question? Would you say that if it were decided to raise the ceiling to $7,000 it would then be advisable to change the 25 per cent to maybe 20 per cent?

Mr. WILLARD: No, I think the ceiling is at a reasonable level, having regard to the average wages in Canada. It could perhaps be a little higher but I would not say that this would be an alternative to changing the percentage. I think that having regard to the level of benefits you want and the situation in Canada with regard to private pension plans, the level of 25 per cent is not unreasonable. Also one must have regard for the fact that we have a flat rate benefit. When you put the two together in that particular combination we have, I think we get a fairly reasonable level of benefits and yet we do not come into serious conflict with other methods of providing for old age income security such as the private pension plans.

Mr. CHATTERTON: One of the criticisms has been that the difference in bonuses is between the high income and low income group. If you did raise the ceiling, that gap would be widened. What then would be the disadvantages of the system employed by the United States, namely a lower percentage benefit for the higher income ceilings in spite of your flat benefits?

Mr. WILLARD: They have not got as high a flat benefit.

Mr. FRANCIS: Mr. Chairman, I have a supplementary question on this point. I was just curious to know why more attention was not paid by the Ontario people in their proposal to the flat rate component being considerably larger than in the Canada pension plan?

Mr. WILLARD: Well, Mr. Chairman, I think the member probably is aware, from the answers Mr. Coward gave to the committee when he appeared, that the $25 proposal is a new proposal of the Ontario government.

Mr. CHATTERTON: Was it not placed at the federal-provincial conference?

The CHAIRMAN (*Mr. Cameron*): I think we are wandering a bit far afield.

Mr. WILLARD: I do not think I can go any further than Mr. Coward did in the answer to the questions put to him by the committee.

Mr. CHATTERTON: May I have an answer to my question? If you did raise the ceiling and provide the flat rate you have, what would be the disadvantage in lowering the percentage of benefit to those in the higher income bracket?

Mr. WILLARD: Is your suggestion that you split the rate in range from $600 to $5,000, or something of that nature?

Mr. CHATTERTON: No. Right now the benefit is 25 per cent. Let us say you raise the ceiling to $6,000 or more, and in the higher income earning bracket, the benefit would not be 25 per cent but, say, 22 per cent.

Mr. WILLARD: Are you suggesting using 22 per cent throughout?

Mr. CHATTERTON: No.

Mr. KNOWLES: Why not raise the ceiling for contribution purposes and not for benefit purposes at all?

Mr. CHATTERTON: Which would be the same type of thing.

Mr. WILLARD: Yes. You could split it and have a different percentage rate for different levels of income. This is somewhat of an adaptation of the United States approach.

Mr. CHATTERTON: What are the major objections to such a proposal?

Mr. WILLARD: You have so much complexity in the whole plan now. But at least a person knows it is 25 per cent of his career earnings.

Mr. CHATTERTON: Twenty per cent is an easier figure to remember.

Mr. WILLARD: If you end up with 20 per cent for one level and 30 per cent for another, you would have a notch problem.

Mr. AIKEN: Would it be complicated if the contributions were taken on an extra $1,000 without increasing the benefit? I am suggesting this might be a case of the better income people in some way assisting the lower income people? I understand the administrative difficulties.

Mr. WILLARD: First of all, Mr. Chairman, you have to decide whether you need the extra income. Then, assuming you would need it, you have to decide is this the way to go about it.

Mr. KNOWLES: Would it be more feasible to get it there than from those below $600?

Mr. WILLARD: Yes. You are not going to get much income from the group below $600 who are excluded. But from the people who are above that level you will get extra income.

Mr. E. E. CLARKE (*Chief Actuary, Department of Insurance*): When we are talking about income to those under $600, you would not get much income from those people, but also do not forget that you are not getting the income from the $600 for all those who will be contributing; this would be substantial if you tax on the first dollar.

Mr. WILLARD: I want to thank Mr. Clarke for his statement; that was the point I was attempting to make. If you are looking at it from the point of view of coverage, the income you get from those excluded is very little, but from all those in the plan would cover anyway you get the revenue on the $600; so, you have to decide whether you are going at this from the point of view of coverage or income.

The CHAIRMAN (*Mr. Cameron*): I think the Chairman ought to intervene here. I think we are wandering pretty far afield. These officials will be before you tomorrow afternoon. We will have our in camera session, and you will have the pretty complete evidence that Dr. Willard has given us this morning; you can read it and have your questions prepared for tomorrow afternoon. What you are putting on the record now will not be available for you tomorrow in printed form.

Hon. Mr. CROLL: I would like to raise two matters, one of which was referred to by Mr. Willard. This is a matter which I think should perhaps be raised at this point in a specific way; this is the question of the Christian Science churches. I think this involves what we often refer to as the civil rights and personal freedoms dealing with medical practitioners and disability pensioners. I would like to point out merely for the record—and Dr. Willard has taken notice of this—that under the United States social security measure the Christian Sciences churches are exempt from medical, surgical and other rehabilitation treatment. In section 222 (b) (1) of the United States social security act it is provided that if an individual entitled to disability insurance benefits refuses without good cause—those are the words I think—to accept rehabilitation services available to him under any state plan approved under the vocational rehabilitation act—there is no need to read this into the record; I assume you have a copy.

Mr. WILLARD: We have a copy of it.

Hon. Mr. CROLL: I am sure all members of the committee want to be assured that in the regulations you will take a good look at that.

Mr. WILLARD: Yes.

Mr. Chairman, I think this is one matter the committee should consider. As the bill is worded now, we do not have a requirement that a person must undergo rehabilitation. Whether or not the committee would wish to recommend this is the pertinent thing. If you do make provision for that, I would think that consideration would have to be given to whether or not you should have some means whereby through regulation it could be determined what refusal without good cause is. In other words, you would leave it to the

regulations by the governor in council to specify whether or not Christian Scientists would be deemed not to have refused to take rehabilitation without good cause: that is, that their objections to such rehabilitation treatment might be considered good cause.

Hon. Mr. CROLL: I thought that if you intended to deal with it in the regulations, it is not a matter that we necessarily would have to make a recommendation on. On the other hand, I can take it before the steering committee and I feel confident I would get their endorsement of it.

Mr. WILLARD: I think as the bill stands it would be insufficient to provide for this particular contingency, and the steering committee might wish to look at it.

Hon. Mr. CROLL: Right. The other matter is the matter of review under clause 83 in the bill. I wish to raise this matter. In the course of our proceedings there was some discussion about the unemployment insurance review cases where a person who felt aggrieved was able to appoint a member to that committee or nominate one. The distinction will be that in the course of the unemployment insurance review usually he had at his right hand side a member of a labour organization who would be readily available and who had been doing these things for quite some considerable period of time. Such a person will not be available for the review committee; he just will have to pick one out of the air. Is there some better way of making sure that the person who is aggrieved has someone who is knowledgeable and who can forcefully present his review?

Mr. FRANCIS: Apart from his member of parliament.

Mr. WILLARD: Well, Madam Chairman, I would think that short of making provision in this bill whereby you set up a special group of people—apart from the administration itself—to spend their full time going out, giving advice, and pleading cases for applicants or recipients, this provision would cover the situation.

As in the case of a court referees under unemployment insurance, if the recipient is in a labour union, he will get somebody from the labour union to represent him. In other cases he might get his lawyer to represent him. If there is a lot of money involved, I think he would probably get a lawyer. In other words, if it is a disability benefit say and there are going to be many many years of benefit involved, he might very well feel that rather than just appoint anybody to act on his behalf he should obtain legal counsel.

I agree that in some of the large cities and where a person is a member of a union, it might be a bit puzzling to decide whom he should get to represent him. But I do think that the experience under unemployment insurance and the tribunals we have for and old age security show that it has not been too serious a problem. In fact, I do not think it even rates being called a problem.

I see that Mr. Blais is here and perhaps he would care to comment regarding our programs and tribunals and how we make sure that the applicant or beneficiary is properly represented. Mr. Blais?

Mr. J. A. BLAIS (*Director, Family Allowances and Old Age Security Division, Department of National Health and Welfare*): Madam Chairman, we have had no trouble whatsoever in the past 12 years of operation. The applicant has had complete liberty to choose as his representative a lawyer or a friend in the community.

Hon. Mr. CROLL: I notice that you differientiate between a lawyer and a friend.

Mr. BLAIS: Our experience over the years has shown that we have run into little or no difficulty with the appointment of representatives either on behalf of the government or by the applicant appointing a person on his behalf. The applicant has had complete liberty to choose in the community persons such

as lawyers, or friends, or somebody who is fairly knowledgeable in general legislation or affairs. Moreover, before the board sits our people, our officers, explain fully in detail the requirements of the legislation, and they may be called upon at any time during the course of the tribunal to assist or clarify a point of law or a section of the act or regulations.

Of all of the tribunals heard, about 75 per cent of them usually have ruled in favour of the applicant. The other 25 per cent were in favour of the government in one sense, but it is a matter of proving age based on the evidence before the tribunal. The decision is made by two members plus the chairman who is an independent person appointed by the two representatives, one on behalf of the government and one on behalf of the applicant. I can answer further questions if there are any.

Hon. Mr. CROLL: I do not wish to burden the committee with it. I have brought it to the attention of the people who are concerned, and they will have to look at it pretty carefully.

The CHAIRMAN (*Mr. Cameron*): Mr. Blais will be with us tomorrow afternoon in any event. I wonder if there are any further comments? If not, would you then proceed with whom you are going to call next, or does this complete your presentation, Mr. Willard?

Mr. WILLARD: Mr. Sheppard might wish to comment on one or two points in connection with procedures and in relation to contributions.

Mr. D. H. SHEPPARD (*Assistant Deputy Minister, Taxation Division, Department of National Revenue*): As Dr. Willard did make some remarks about the question of the method of handling withholdings, I do not feel that I need to add very much more to it. But perhaps I might be permitted to make one or two comments.

The CHAIRMAN (*Mr. Cameron*): Do you have a text?

Mr. SHEPPARD: Yes, I have.

The CHAIRMAN (*Mr. Cameron*): Could you do the same thing that Dr. Willard did and have sufficient copies of it run off for the members of the committee so they may have it for tomorrow?

Mr. SHEPPARD: Yes, I could do that.

The CHAIRMAN (*Mr. Cameron*): Please proceed.

Mr. SHEPPARD: Where an employer makes an incorrect overpayment in respect of an employee, the employer is entitled to obtain a refund. In this case an incorrect amount was deducted and a correction can be made.

However, under the withholding system contemplated in Bill No. C-136, there will be an estimated one million instances where the correct amount required to be withheld each pay day when totalled at the end of the year produces an over-deduction in respect of the employee.

This will mainly arise because the worker did not work a full twelve months and therefore did not get credit for a full $600 exemption. These refunds will be numerous but small, they will average less than $5 and never exceed $10. A second type of refund can arise when a worker earning over $5,000 changes jobs during a year. On page 285 of the Proceedings there is included an estimate for this type of refund amounting to 264,072 with an aggregate overpayment of $5,906,399. However, as noted therein, this estimate is based on a rate of turnover that is applicable to all employees. There is reason to believe that the rate of turnover for employees earning over $5,000 would be considerably lower.

The bill provides for refunds to the employee in all these cases but not to the employer. The reasons are these:

1. In the case of the numerous small refunds, the exact amount refundable is not known till the end of the year; in most cases the

employee has left the employer; there will very often be two or more employers involved and therefore a need to prorate.

2. In the case of the larger, less numerous, refunds, the amount refundable would always have to be prorated between two or more employers.
3. The employer matches the employee's contribution so long as that particular employee remains with him but there should be no compelling reason why the dollar-for-dollar basis needs to be retained to cover that part of a year when the person was not employed by him; it would be very difficult to do it. This viewpoint was mentioned by Mr. R. J. Myers of the United States social insurance administration who, when questioned on this by the special joint committee said: "I think our answer has been that as a practical matter it would be extremely difficult to try to decide just how to allocate the money. If you said that the first employer during the year should pay it, it would not seem fair; and if you tried to prorate it there might be difficulties too."
4. A system of refunding, or of avoidance of refunds, if one could be satisfactorily developed, would indirectly inform an employer concerning the employee's previous or later employment and could be resented by the employee as an invasion of privacy.
5. Joint administration with Quebec would make any system of refunds to employers more complicated than the United States system which was, in their opinion, already too complicated to try.
6. If we have refunds to a million employees, it follows that there would then be about 1½ million refunds to employers since many refunds have to be prorated between two or more employers.

The issuance of this many separate cheques is out of the question; it would be necessary to assemble the small refunds for a particular employer and issue one cheque which, if supported by the required details per employee, would be a very formidable job.

Those are my comments.

The only other comment I have, Mr. Chairman, has to do with the question of averaging income for farmers. I do not know whether the committee would like any comments on that.

The CHAIRMAN (*Mr. Cameron*): Yes.

Mr. SHEPPARD: Before drafting the proposed legislation regarding Bill No. C-136, consideration was given to the question whether the present rules in the Income Tax Act for allowing income of farmers and fishermen to be "averaged" should be used for the purposes of contributions and benefits under the Canada pension plan. The following factors were considered.

First, the averaging provisions of the Income Tax Act were introduced for the purpose of alleviating the effect of the graduated rates of tax through a levelling out of income. Since the Canada pension plan proposes a single flat rate contribution on self-employed earnings, there is no need for averaging for this purpose.

Secondly, the concept of earnings under the Canada pension plan on which a contribution is to be made excludes such items of income as investment income from bonds, stocks, mortgages, and so on, and certain rental profits or losses. However, for averaging purposes under the Income Tax Act the foregoing items are taken into account as well as salary and wages earned, and profit or losses from other businesses carried on by the farmer or fisherman. In order to give an averaging option under the Canada pension plan, therefore, special rules would be required to make possible a determination of what part of the

earnings in the averaging period consisted of income on which a contribution would be made, since it is on the basis of contributory earnings that the earnings record is to be maintained in order to compute benefits payable to contributors. If the adjustments were made the computations woud be extremely complicated and, if they were not made, it would mean that the contributory earnings of one segment of contributors would differ in principle from that for other self employed contributors.

Thirdly, the record of earnings has to be maintained for each contributor for his whole contributory period, and this is a formidable task. Therefore it was concluded that the record for a year should be finalized on the basis of the earnings for the year.

Fourthly, the effect of averaging upon the amount of the pension benefit to which a farmer might otherwise be entitled would not be beneficial or would be beneficial, depending on the following conflicting factors.

(*a*) Reducing all income in an averaging period to a common denominator has the effect of taking into account losses which would otherwise be excluded from contributory earnings and also tends to deprive a farmer of the benefit of the "drop-out formula" (the "drop-out formula" used in the calculation of benefits excludes certain years of low earnings and this in part, compensates for fluctuations in yearly earnings).

(*b*) Earnings in a particular year in excess of the maximum which would otherwise be excluded are taken into account.

In other words, those two factors are conflicting and they have the opposite effect.

Although the effect of averaging on the benefits of any contributor could not be determined until after the record of his lifetime earnings had been completed, it is quite likely that for the majority of farmers with moderate income there would be an adverse effect.

In view of the foregoing the conclusion was reached that an election to average under the Income Tax Act should not affect the earnings or contributions under Bill No. C-136.

The CHAIRMAN (*Mr. Cameron*): Are there any comments?

Mr. LLOYD: No, that is just another argument for drop-out periods.

Hon. Mr. SMITH: While Mr. Sheppard was explaining that, I was thinking about the method the department would use to collect on contributions from self-employment fishermen whose incomes are low to the extent that they do not get themselves in an income tax position.

We had some evidence before, it seems to me, from Mr. Meyer, that two thirds of a farmer's income was the figure they accepted for contributions.

Mr. FRANCIS: The gross income?

Hon. Mr. SMITH: Their gross income. That was the figure they would use as the base for the collection of the social security tax.

How would you get at a self employed fisherman whose income was $1,000 a year? On what basis would he pay the tax?

Mr. SHEPPARD: Mr. Chairman, there is no provision in this bill for estimating the amount of the income for the self-employed person. The income would be determined as provided under the Income Tax Act by aggregating his gross income and deducting expenses in the normal way.

Hon. Mr. SMITH: In other words, this low income fisherman would be obliged to keep records of his gas bill every day he is out, and so on? It strikes me we should try to find some way similar to that which determines his basis of payment of unemployment insurance tax in order to make it a much simpler

payment than to require these very low income fishermen to keep records because they would find it very difficult.

I have forgotten what the fraction is, but there is a fraction that is applied to all these self-employed fishermen with regard to what shall be considered as their net income.

Mr. SHEPPARD: I could give you some figures but they will be subject to verification later. I understand the United States authorities permit the taking of two thirds of the gross income and they use this as net income for their computation.

Hon. Mr. SMITH: For farmers?

Mr. SHEPPARD: I think it applies to farmers and fishermen, but the net income under this method cannot be greater than $1,200.

Mr. LLOYD: It is not proposed that we adopt this, is it?

Mr. SHEPPARD: It has just been drawn to my attention that this does not apply to fishermen in the United States; it applies to farmers. It is section 1236 in the United States "Social Security Hand Book".

Mr. LLOYD: There is a practice, of course, of reviewing tax returns of self-employed persons by the department of inland revenue. Quite often they settle on the basis of a certain amount of information and, in the final analysis, it is based upon their net income as a result of gross figures for those in the same field of work or self-employed work. The department will take an arbitrary assessment. In some other cases, after review of net worth positions, they make an assessment. When these revised assessments are reached, will this mean also a revision of past contributions to the pension fund? I suppose it will.

Mr. SHEPPARD: Mr. Chairman, if a person does not have precise information we do the best we can, and on the basis of available information we make an assessment. If we make a re-assessment for the purposes of income tax the same rules will automatically apply under the Canada pension plan.

Hon. Mr. SMITH: I would like to come back to the matter of my fishermen.

Mr. LLOYD: For the senator's benefit, I might say that I am thinking of a number of cases which came to me in my practice as auditor where the tax department made reviews of employed fishermen's incomes. I do recall a number of decisions by the department on what would be the position when the assessment would be issued.

Hon. Mr. SMITH: I think Mr. Lloyd is talking about the class of fishermen who would pay income tax.

Mr. LLOYD: They were not going to pay any income tax, senator, but the tax department thought they should.

Hon. Mr. SMITH: I am thinking of the low income ones.

Under the employment insurance commission the low income man is permitted to use a certain fraction of his gross income or payments he gets from fish dealers as his wages for any one day or week. I wonder if any consideration has been given to the application of a similar rule in relation to these lower income fishermen, information from whom is not available through income tax forms because they do not make enough money with their exemptions to pay income tax. I think it is quite important in the part of the country I come from.

Mr. SHEPPARD: There is no specific rule in this bill where as a matter of law you can compute the net income on the basis of a percentage of the gross income.

We have assumed under such circumstances we would work this out as a matter of practice and ask the contributor to compute his income on the basis of the best information available.

Hon. Mr. SMITH: Then, Mr. Chairman, do I understand that the matter of making the regulations will then be concerned in the light of the rule that I

have mentioned that applies under unemployment insurance collections, using that as a basis for whatever you might decide to do?

The CHAIRMAN (*Mr. Cameron*): I think, Senator Smith, you have the information you have been seeking and maybe at tomorrow afternoon's session you can crystallize into something more definite.

Dr. Willard tells me he understands that all the comments have been made.

Mr. BASFORD: I move we adjourn.

The CHAIRMAN (*Mr. Cameron*): Before we adjourn may I say that the steering committee was to meet tomorrow at ten but the question has been put to me that we might meet at eleven o'clock in order to convenience Mr. Knowles, for one. I thought maybe we could decide on that.

It has been suggested that rather than meet in my room it would be more convenient for us to meet in room 308 in the west block, where we would have more facilities for the members.

Are you agreed that the time of the steering committee should be changed to eleven o'clock tomorrow?

Agreed.

The afternoon session is scheduled for 2.30.

APPENDIX A49

BRIEF TO BE PRESENTED TO THE SPECIAL JOINT COMMITTEE OF THE SENATE AND OF THE HOUSE OF COMMONS ON THE CANADA PENSION PLAN (BILL C-136)

Prepared by WALLACE R. JOYCE, Fellow of the Society of Actuaries.

FOREWORD

My name is Wallace Richard Joyce. I was born in 1915 in British Columbia, attended Public and Secondary Schools in Alberta, and graduated in 1936 from the Honour course in Mathematics and Physics at the University of Toronto. I am a Fellow of the Society of Actuaries.

In 1958-59, I served as a member of the Ontario Welfare Council's "Committee on Public Welfare Policy—Economic Needs and Resources of Older People". For the past seven years I have been a member of the Social Security Committee of the Canadian Association of Actuaries, and I am currently Chairman of that Committee.

This background is given to indicate my professional qualifications and considerable interest over a long period in problems pertaining to Social Security in Canada. The views expressed in this brief are my own.

1. *Comments on the Actuarial Report (Nov. 6, 1964) on the Canada Pension Plan*

I have great respect and admiration for the government actuaries who, working under orders and against time, have produced two exceptionally well-ordered and comprehensive Actuarial Reports on the two versions of The Canada Pension Plan.

Regarding the "low-cost" and "high-cost" estimates in these reports, it is worth emphasizing that both are well within the realm of possibility, although the former indicates required contribution rates rising to only 4.23% by the year 2050 while the latter estimates produces a required contribution rate of more than twice that amount (or 8.68%) and still rising. However, the low-cost figure rests on the assumption of a high immigration rate, and I question the propriety of relying on such an exterior influence to reduce the projected costs of pensions for Canadian citizens. The high costs of this Plan and other social welfare benefits might discourage immigration to this country. For this reason, I believe that I would lean in the direction of the "high-cost" figure in choosing a suitable "average cost".

I find one curious omission in the Nov. 6, 1964 Actuarial Report. Bill C-136 is given the short title "Canada Pension Plan", and an integral part of Bill C-136 is its Part IV—"Amendments to Old Age Security Act". Yet no estimate of the costs produced by this Part IV have been included in the Actuarial Report. Surely Parliament should know these costs when considering Bill C-136.

The existence of Part IV in Bill C-136 indicates the difficulty of treating the Canada Pension Plan without at the same time considering the Old Age Security payments. Indeed, the advocates of the Canada Pension Plan have nearly always made reference to the *combined benefits* under the two systems when discussing the Plan in public. Unfortunately, the *combined costs* have seldom been mentioned.

Because the total costs have not been well presented to the Canadian public, I was pleased to read in the "Minutes of Proceedings and Evidence" of this Committee for Monday, December 14, 1964 that Mr. Moreau did raise the very pertinent question:

> "Could you tell us approximately what payroll contributions would be required to raise the equivalent of the sum of money that we are collecting under the present means of financing and the O.A.S.D.I. Plan? Do you think it would be five or six per cent?"

However, I was disappointed that Mr. E. E. Clarke did not answer the question or indicate that he could get an answer for it. If I am not mistaken, Tables 4 and 6 of the Actuarial Report dated August 30, 1963 show precisely the kind of figure which Mr. Moreau requested. The "Percentage of Contributory earnings required to provide $10 per month benefit" in Table 4, multiplied by 7.5 to provide for the $75 O.A.S. benefit, gives percentages ranging from 5.5% in 1965, and 6.7% in 1966, to 4.7% in 1974. Apparently these should be *increased* by some percentages corresponding to those in Column 2 of Table 4 to allow for the cost of early retirements under the Old Age Security Plan (in accordance with the amendments introduced by Bill C-136). I feel sure that Mr. Clarke will be able to provide complete figures expressing estimated Old Age Security costs in terms of contributory earnings, and I urge the Joint Committee to obtain such figures and see that they are placed before Parliament.

In connection with the Actuarial Report, I should like to state that the government actuaries, in working under orders to produce this Report, have *not* thereby signified that they favour the Canada Pension Plan as presently designed. Indeed some, if not all, of the actuaries in government employment may be violently opposed in principle to the Plan, but they are obviously prevented by their position as civil servants from expressing either their approval or their disapproval. It is necessary to put this on record because of a public statement by the Honourable Miss LaMarsh, which was widely quoted in the press, to the effect that in this matter insurance company actuaries on one hand are ranged against government actuaries on the other. Because of her high office, the Honourable Minister should be the first to recognize the special position of civil servants which prevents their criticism of government measures.

2. *The Benefit Structure of the Canada Pension Plan is poorly designed to meet the Social Needs in Canada*

The Canada Pension Plan (Bill C-136) clearly provides benefits in reverse relationship to the social needs.

The principal benefits are granted to those best able to provide for themselves. The people who gain the most are those who are fully employed throughout normal working years at middle or high earning levels. Those earning lower wages benefit less. Those who have suffered periods of unemployment for whatever reason have their benefits sharply reduced (yet these are the ones who have most difficulty in building up private savings). Many casual and low-paid workers will receive nothing at all under the Plan.

The beneficiaries under the CPP are today's high-wage earners. The persons who need assistance *most* are those aged whose working years were in the low-wage era of the depression years and war-years. Those already retired have had none, or few, of the "good years" in which to provide for their retirement. The provision they did make has been diluted by post-war inflation. I submit that these are the persons to whom the government should direct its assistance.

The wide variation in income levels across the country has been advanced as one of the main reasons for introducing a wage-related pension plan as a superstructure on top of the existing flat-benefit Old Age Security system. I seriously question whether the wage-related benefits suitably provide for the important differentials which create the real need.

A few years ago, I served as a member of an Ontario Welfare Council "committee on Public Welfare Policy—Economic Needs and Resources of Older People". Prominent social welfare officials agreed that there were two particular areas of hardship not met by universal flat-benefit payments. These were:—

(i) Medical and nursing care costs
(ii) Rental or Housing costs

The differential in medical costs between one person and another is an individual matter related to the nature and duration of illness. A wage-related benefit does nothing to meet this requirement.

Rental or housing costs vary between communities—differing by geographical location and between urban and rural areas. To some extent, but by no means directly, earning levels in a community may bear some rough relationship to the cost of housing. However, the differential *in need* arising therefrom might far more appropriately be met by a direct subsidy based on the known costs in each particular area, rather than by a wage-related benefit which does not apply to the specific need.

What are the real income-needs of the aged in Canada? It is inconceivable that any responsible government should introduce the Canada Pension Plan without first obtaining factual information on the actual incomes by age-group for various regions of the country and comparing these with the costs of living in corresponding areas. The government has the facilities and means to produce these essential statistics. I urge the Committee to recommend that this important information be produced and studied *before* the government should proceed with so costly, complex and irrevocable a measure as the Canada Pension Plan.

3. *The Superstructure of wage-related benefits in the Canada Pension Plan, because of its unjustifiable subsidies, creates basic instabilities in the Canadian Old Age Security system which must result in pressure for similar benefits to persons not favoured by the plan.*

You are well aware of the political football that has been played with our universal flat-benefit Old Age Security payments. One of the main reasons for promoting a federal wage-related plan initially, although too unpalatable for public mention, was the hope that the existence of these benefits might eliminate such maneuvering.

I sympathize with the purpose, but I believe the hope is vain. The universal flat-benefit payments have the distinct advantage that any increase in benefits creates an immediate and obvious increase in cost, which must be properly weighed by the government at the time, since it immediately affects the budget. The Canada Pension Plan has no such brake on increases in future benefits because the costs are too easily concealed in its complex structure, and indeed, costs incurred now may be deferred to the next generation. The existence of large reserves in government hands also seems to encourage demands for their dispersal in immediate benefits, no matter how essential those funds are to meet future liabilities: the disastrous tampering with the Unemployment Insurance Fund is a prime example.

Those who have followed the development of social security legislation in other countries, particularly the growth of O.A.S.D.I. in the United States

and the multitudinous further amendments which are continually being pressed on Congress, will not consider this problem unimportant.

I do not condemn political pressures, which have wrought much social justice. But it is folly to introduce a Plan which inherently contains the seeds of discontent. The public is quick to sense injustice and will not tolerate obvious subsidies, unmerited either by social need or by personal contribution. It is the reaction to the proposed Canada Pension Plan that has *already* forced three recommended changes in the Old Age Security structure:

(1) the addition of $10 monthly benefit (already enacted)—a further $25 monthly has already been mentioned in Parliament by a member of the Opposition.
(2) the indexing of benefits.
(3) Making the benefits available at age 65, for a reduced amount.

These have been forced because they are so obviously reasonable in comparison with the less reasonable subsidized benefits being proposed under the Canada Pension Plan.

The inequities in the benefit structure of the Canada Pension Plan have been pointed out to you by others. Allow me to illustrate them with a specific example. I, personally, consider myself fortunate to be in a relatively high income-tax bracket, with a salary at least three times the average Canadian wage. In the next 15 years my "contributions", together with those of my employer in respect of me, will total $2,376 (at the initial 3.6% rate on the upper limit of $5,000 less $600: the indexing might increase this slightly). I shall then be 65 years old and shall be eligible for the maximum benefit of at *least $1,250 yearly for the balance of my life.* On the basis of the life expectancy of Canadian males at age 65, I would expect to receive such payment for 13½ years, so that my benefit payments for this average period would total $16,875. *This represents a clear gift from the government (or rather from future taxpayers in the CPP) of not less than $14,499.* This subsidy might be substantially increased by the effect of the Pension Index.

I hope this personal example will convince you that I am not serving my self-interest in opposing the Canada Pension Plan. Persons retiring after 1966 will have at least twenty of the "good years" of higher wage levels in which to build up personal savings. The unfortunates are those already retired whose prime working life was in the depression and war years when wages (if any) were relatively low, who have had few of the "good years" to retrieve their position, and whose small savings are now squeezed by post-war inflation. These are the persons most deserving of subsidy, but they get none under the Canada Pension Plan.

This injustice will become more and more apparent as payments commence under the Canada Pension Plan. In addition, by putting more purchasing power in the hands of the fortunate beneficiaries, it makes the lot of the less fortunate relatively more severe (and perhaps *absolutely* more severe because of the inflationary influence of the Canada Pension Plan).

In my opinion, the only logical way to avoid creating insupportable political pressures is to eliminate the basic inconsistencies and injustices in the Canada Pension Plan. Remember that this Plan is *additional* to our universal Old Age Security payments which has served Canadians well and will continue to do so with timely amendments in its benefits. Beyond that level, is it so unreasonable to ask that any further subsidy should be justified by a demonstrable need, based if you like on a simple income-test?

If subsidies were provided more directly, where needed, then the wage-related pensions could be considered on their own merits. In fact, the entire

case for government-provided wage-related pensions would then fail, in my opinion. But if all subsidies were removed from the Canada Pension Plan, it could not operate as it now does, to *conceal* massive transfer-payments, and to hide its tax-gathering machinery behind a false "contributory" facade.

4. *The inequities in the Canada Pension Plan are not temporary but are perpetuated by the effect of indexing benefits.*

It is important to note that the inequities in the Plan are not transitory, but appear to continue indefinitely, aggravated by the effect of the Pension Index. I wonder if, in the foreseeable future, the Plan will *ever* be "mature", in the sense that the retiring individual may be said to have actually paid in contributions the actuarial equivalent of his benefits (even interpreting actuarial equivalence in its broadest terms)? This is a question I would suggest that the Committee should put to the government's Chief Actuary.

If no other change in the Canada Pension Plan is made, I urge the removal of the "Pension Index". It has no justification in a wage-related plan, and gives a vested interest in inflation, removing an important brake on inflationary influences.

I submit that the proposed Canada Pension Plan is promising ourselves (the currently employed) benefits which we are unwilling to provide to others equally or more deserving, and it is asking the next generation to contribute heavily to the benefits which we expect to receive.

Respectfully submitted,

15 January 1965

APPENDIX A50

121 Welland Avenue,
Toronto, Ontario.
January 30, 1965.

A BRIEF
IN OPPOSITION TO THE PROPOSED CANADA PENSION PLAN
and
IN SUPPORT OF IMPROVEMENTS TO THE OLD AGE SECURITY ACT

My dear Ladies and Gentlemen:

I would like to express my deepest gratitude to the Joint Committee for permitting me to submit this Brief. Having followed much of your deliberations, I fully appreciate the generosity of your concession.

I would also like to express in advance my sincere apologies for presenting some of my material in the bluntest of terms and, upon occasion, in terms which may appear to suggest, on the part of some government officials, a greater interest in the political than in the public interest aspects of the matter. May I assure your Committee that, although I may not agree with the judgment and tactics of these officials, the sincerity of their convictions commands my deepest respect.

1. *Biography*

My name is Edward Ruse. I was born in Japan on July 7, 1906, and came to Canada at the age of 7. I am a graduate of the University of Manitoba, majoring in mathematics and economics; a Fellow of the Society of Actuaries; and currently employed as a research actuary by a Canadian life insurance company. During World War II, I served in the European theatre as a tail-gunner in the RCAF.

2. *The Views Expressed Are My Own*

I would like to establish at the outset that this Brief is entirely my own; prepared on my own time and at my own expense. Accordingly, any similarity between my views and those of any other critic of the Government's proposal is entirely coincidental.

I would also like to establish that I am not acting on behalf of anyone else but myself and my sincere interest in the welfare of Canada and of all Canadians, particularly in the welfare of the less fortunate members of our country, now and in the future.

As someone much wiser than I once observed, "The poor will always be with us." It is up to us to see their interests are not jeopardized by the government's preoccupation with a plan which benefits the fortunate much more than the unfortunate.

I own no stock in nor have any other financial interest in any business which, in the controversy over the Canada Pension Plan, has been accused of base self-interest by some Government spokesmen and, following this lead, by some of the press.

As a paid worker in a life insurance company, I am naturally interested in its success in exactly the same way as any member of Government or of

a political party is interested in the success of his Government or of his party. There are occasions, however, when anyone worth his salt must rise beyond the success of his company, his business, his government or his political party.

In the present context, you and I must be utterly convinced that all Canadians of all ages and in all walks of life—but particularly the indigent and the less fortunate—shall have *the* best social security pension legislation that this nation can afford and can devise.

3. *A Frankenstein*

I should now bluntly state that, in my sincere, unselfish and considered opinion, Miss LaMarsh's "team of 16 experts with over 300 years' service" has conceived a Frankenstein which, if it is delivered into legislation, will have to be emasculated in a few years' time by the passage of further pension legislation paying more benefits to the unfortunate, in order to remove the inequities and iniquities of the Canada Pension Plan.

There are many reasons for such a brutal criticism and prophecy. All of them stem from the Government's view that the Canada Pension Plan is not a social welfare measure but, rather, a social insurance measure based on some of the principles of group pension plans but administered by the Government and financed by "transfer taxes" from the wage-earners to benefit the retired, the disabled, and widowed and the orphaned non-wage-earners.

I would like to give you a practical illustration of one of the most serious consequences of this approach. When it will happen, no one knows; but happen it will.

Let us assume 1976 for illustrative purposes.

Andy's father, then aged 70, is receiving government pension cheques of $179 a month ($75 plus $104—assuming no inflation), while Bill's father, also aged 70, is receiving $75 or only a shade more. This is not an absurd example; there will be thousands of such cases in 1976.

Their sons are well established members of the Labour Force; foremen in a factory, both earning wages of $5,500 a year. Each, of course, is paying the same Canada Pension tax.

"Why in the name of heaven," Bill will ask Andy, "should your Dad, who had it so good during his working years and doesn't really need it, get $179, while my poor old Dad, who had it so tough and really needs the $179, gets only $75 or a shade more?"

"After all, Andy, we're paying the same amount into the pot."

"And furthermore, Andy, this isn't like our group pension plan. You and I and all the other guys in the factory are being taxed to pay your Dad's $179 and my Dad's $75, and it just doesn't make sense. I know you and I are likely to both get the $179, but it still doesn't make sense to me. Does it to you? I, for one, am going to raise heck about it to my Member."

And the very same question and the very same political pressure will be repeated with increasing intensity across the length and breadth of this good land until it will be impossible to delay a third round of pension legislation.

The $64 question is whether your children and mine—and theirs—will be able to bear the added financial burden.

Honourable Senators and Members of Parliament, the Canada Pension Plan is dangerous, complex, expensive and monstrous. I confidently but regretfully predict you and I—and even its strongest advocates—will live to deeply regret it.

What this nation needs is not the Canada Pension Plan but improvements in our present Old Age Security Act with its wonderful qualities of true

universality, of ready understandability by the individual, of great administrative economy, of a broad and equitable tax base, and of immediate maturity for all.

4. *The Less Sophisticated Public Has Been Misled*

It is a matter of grave concern to me that the vast majority of Canadians have been more misled than educated by many of the official statements and explanations released to the press, the public and—during the Ontario election campaign—to audiences of Ontario voters. A quality of Madison Avenue advertising practices appears to have crept into some of these statements and explanations; something which, it seems to me, should be repugnant to Parliament.

One of the first examples was the official statement "Respecting the Canada Pension Plan" (first version) given to the House on July 18, 1963, which put this patently misleading and favourable impression-creating opening paragraph into Miss LaMarsh's mouth:

> "The purpose of the Government's proposed legislation is to ensure that, as soon as is possible in a fair and practical way, ALL CANADIANS WILL BE ABLE TO RETIRE IN SECURITY AND WITH DIGNITY."

Two months later, on September 9, 1963, following the federal-provincial conference on pensions, the publicity writers put almost the same misleading words into the Prime Minister's mouth:

> "The purpose of the CANADA PENSION PLAN is to make it possible for ALL CANADIANS to retire in security and with dignity."

Your Committee hearings have clearly established, I am sure, that it is only the minority of workers with wages close to the average or above who will be able to "retire in security and with dignity".

It might be of interest to insert here some information on wages from the 1961 Census:

PERCENTAGE OF WAGE EARNERS (PAID) BY INCOME BRACKET

(Gross before Income Tax)

Wage bracket	Male	Female	M. & F.
Under $1,000	9.6%	25.2%	14.1%
Under $2,000	20.6	50.3	29.2
Under $3,000	36.2	76.6	47.9
Under $4,000	58.3	92.5	68.2
Under $5,000	77.0	97.3	82.9
Under $6,000	87.6	98.8	90.9
$6,000 and up	12.4	1.2	9.1
All brackets	100.0%	100.0%	100.0%

It should be recognized that these percentages represent a cross-section of wage-earners of all ages. Many of those in the low brackets are young and will earn more later. On the other hand, many of those in the high brackets are older and nearing retirement. The Government Actuary could, of course, furnish more meaningful statistics bearing more accurately on the question.

These statistics, however, give some indication of the fact that a substantial majority of paid workers will receive Canada Pensions substantially below the maximum of $104 a month.

To those who might see some saving grace in the first version proposing a $10 increase in the Old Age Security pension, I would like to quote from a Toronto newspaper which reported on August 2, 1963:

> "A Toronto actuarial firm said last week that the ultimate cost of the plan would be about 9% of payroll earnings. This would rise to 15% by adding taxes needed to support the present $65 pension to all persons 70 years of age and over. *Miss LaMarsh said it is incorrect to tie in both pensions because they are on a completely different basis.*"

One must conclude, I think, that the above two statements were intended to explain what the Canada Pension Plan alone would do; if not, certainly that was what most of the press and the public probably thought.

5. *Misleading Impressions from the Ontario Elections*

In the Fall of 1963, we saw the proposed Canada Pension Plan become the major issue of the Liberal Party in the Ontario elections. I do not quarrel with this but I do quarrel with how it was used and misused.

Indeed, it was at this stage I became convinced that the great mass of low and middle-income workers, certainly in Ontario, did not and could not know even the main characteristics of the Canada Pension Plan.

From that day on, I decided to conduct a one-man poll among strangers, but before I outline that story I would like to record a number of Toronto newspaper quotations of August and September 1963.

August 2, 1963: "Miss LaMarsh said that with the new basic pension of $75 a month, the contributory feature would mean that a person age 70 could receive up to $175 a month."

> *Comment:* Despite the words "up to", would this not create an impression that the "contributory feature" would be universal just like the OAS?

September 5, 1963: "Health and Welfare Minister Judy LaMarsh said last night she regrets the Federal Government's Canada Pension Plan has developed into a political issue, but predicted universal pensions will be available to all Canadians within a few years."

> *Comment:* Isn't the logical conclusion of the average person that the Canada Pension Plan would provide pensions to the present aged and indigent, i.e. be truly universal?

September 5, 1963: "I (Miss LaMarsh) am sure that in the present spirit of co-operative federalism, a way will be found wherein universal pensions will be available at a decent level and in a few years to all Canadians to ensure their retirement in dignity and security."

> *Comment:* Isn't the impression created that the Canada Pension Plan is universal and the pensions for all, including those not in the Plan, will be at a "decent level"?

September 17, 1963: "Miss LaMarsh...urged a crowd at York Mills to clamour to know what the Premier of Ontario will do with respect to a pension plan. Canadians can't continue to live on the present flat rate pension of $65 at age 70. In ten years it may take $200 to live in Ontario. No one can live in ease on the amount we can pay at that rate."

> *Comment:* Isn't the conclusion of the average person that somehow the Canada Pension Plan will give everyone, including the present aged, pensions substantially in excess of $65?

September 17, 1963: "The Canada Pension Plan is a scheme for the people not for the insurance companies, she said. Those who will specially benefit by it

will be persons who are not employed by the large industries, those who cannot afford private plans, those people who have no pensions now."

Comment: Is this not a rather amazing set of observations? Isn't it precisely those now in private plans who will benefit the most and need it the least? Isn't an impression created that all those who have no pensions now (which includes Old Age Pensioners without private pensions) are going to benefit?

September 20, 1963: "Federal Health Minister Judy LaMarsh... Referring to the Social Security programme in the United States, she asked why Canadian workers should be second-class pensioners compared to retired U.S. citizens."

Comment: OASDI: Not universal. Even after 30 years, many of the aged are on state assistance. Minimum, Maximum and Average Pensions—$40, $127 and $77.50. Payroll Tax—7¼% (shared with employer); originally 2%; slated to rise to 8¼% in 1966 and 9¼ in 1968 according to the Wall Street Journal.

Our OAS: Truly universal. Flat taxable $75 to all. Financed by 3-3-3 (now 3-3-4) formula which rests lightly on low and lower income workers.

Isn't a false impression being created that all Canadian Old Age Pensioners are "second-class" to all U.S. OASDI Pensioners when, in fact, with a $77.50 U.S. average, many in greater need are getting less than our OAS $75? What useful purpose does this discrediting of our OAS serve in helping the unsophisticated mass to properly evaluate the government's proposal?

Misleading statements are continuing to influence even today's journalism. The December 8, 1964, issue of a Toronto Daily ran a series of questions to educate the public. Under the title, "CANADA PENSION PLAN", the first question was "Whom will it cover?" The answer? "EVERYONE IN CANADA"!

Some of you may feel it is unfair on my part to quote statements alleged to have been made by Miss LaMarsh in the heat of a political campaign. To them and to Miss LaMarsh I apologize; but, in my defence, you will appreciate that it was Miss LaMarsh who made good copy and, in order to make my point, I really had no choice. Although I disagree violently with her approach and tactics to the pension question, I—as I am sure most of you—admire and respect her sincerity and her courage.

6. *The less Sophisticated Public do not Understand*

As I have indicated, I am primarily concerned with the great mass of the low and lower income workers. I am concerned that their potential Canada Pension benefits are so low. I am concerned that, despite the $600 exemption, the entire cost is a tax on wages and without any relief for those with the greater social and family responsibilities. I am concerned about many other features and implications of the Plan.

However, I am also deeply concerned about the other unfortunate members of society who—by reason of being too old, of being widowed with dependent children, of being compelled to be unpaid workers in family enterprises, of being wives spending their best years looking after their families, of being unemployed through no fault of their own, of being geographically isolated, or of being mentally or physically handicapped—are unable to be self-supporting members of the employed labour force.

Surely in a humanitarian society such as ours, these are the people to whom the more fortunate, through their governments, must give financial succour; not those who can fend for themselves.

In any event, these concerns and the misleading or incomplete statements made during the heat of the Ontario election campaign led me to conduct a one-man opinion poll among strangers, mostly while travelling to and from work. My approach was always to people who appeared to be in the lower and middle income groups.

I never presented myself as an expert. I never expressed my own bias against the Plan. My typical question were of the simplest nature.

I. *"Say, what's all this about the Canada Pension Plan? Do you think it's a good idea?"*

Almost invariably the answer was something of the following order:

"Sure. We need more pensions." or

"Sure. $65 isn't enough." or

"Sure. If we can afford it."

My next question was designed to find out what, if anything, the person knew about the Plan.

II. *"Well, I'm kind of confused. Do you know what we are going to get out of it?"*

Almost invariably the answer was along the following lines:

"I haven't got the foggiest." or

"I think everyone's going to get another 100 bucks."

No one seemed to know the upside-down nature of the benefit formula.

My next question was designed to obtain the person's reaction to only one of two aspects, namely that the more fortunate will receive more while the less fortunate less, or that the present one million Old Age pensioners would get nothing.

III. (a) *"Well, a friend of mine who always seems to know a lot about this kind of thing tells me that it's kind of an upside-down deal. He tells me the guys that have good steady jobs paying $4,000 or more are going to get $100 a month on top of $65 a month from the Old Age pension but the guys who don't do so well, like $2,000 a year, would only get another $50 a month. Some guys working on odd jobs and moving around a lot maybe won't get anything. What do you think of this kind of a deal?"*

Almost invariably the reaction was unfavourable. Answers generally took two forms:

" I think your friend's nuts. They wouldn't do anything like that."

or "Well if that's the way it's going to be, its going to be. Too bad. It wont hurt me too much."

III. (b) *"Well, a friend of mine who always seems to know a lot about this kind of thing tells me the Canada Pension Plan proper isn't going to pay anything to our Old Age Pensioners. You know everyone over age 70 gets $65 a month. He tells me there's about a million of them. Do you think this is a good idea?"*

Almost invariably the reaction was unfavourable. The answers were essentially the same as to question III (a).

"I think your friend's nuts. They wouldn't do anything like that."

or "Well, if that's the way it's going to be, it's going to be. Too bad. It won't hurt me too much."

I sincerely hope that the Ontario election quotations and my one-man opinion poll have served to give some substance to my contention that the substantial majority of our low and lower income citizens, many of our Old

Age pensioners and many others do not know the "upside-down" approach to the benefit structure of the proposed legislation.

I also hope that they will serve to substantiate my most earnest conviction that Government has a most serious responsibility to be quite, quite sure that, among other things, the many excluded from the Plan and the great mass of the low and lower income employees and self-employed of Canada fully understand the immediate and long-term implications of the Canada Pension Plan upon them and upon their families, both young and old, before it becomes irretrievable legislation.

Once enacted, there will be no turning back. The die will have been cast. The living of the future will be forever in legislative, financial and inescapable bondage to the dead of today.

7. *A brief outline of OASI history*

Before concluding, I would like to set down as brief an outline as would be useful of the tax and benefit history of the OASI Plan. I believe a careful consideration of this history should convince anyone and everyone that the OASI Plan is not a model piece of pension legislation for Canada. I believe such consideration will also dissuade some from the impression they may have had that the OASI Plan has really done a job for the indigent and less fortunate in the United States who, after all is said and done, are the ones which the more fortunate in any humanitarian society are interested in helping through government intervention.

For illustrative purposes I have chosen four years, 1935, 1939, 1951 and 1964.

At inception 30 years ago, the OASI payroll tax was 2% (shared 50:50 with the employer) on wages up to $3,000. The minimum and maximum pensions were set at $10 and $85. The 1935 Act indicated progressive increases in the tax rate to 3%, 4%, 5% and 6%, with the 6% to apply on and after the year 1949. However, due perhaps to the rapid rate of growth of the Fund in the early years, in any plan such as OASI or the Canada Pension Plan, these tax increases were not implemented for many years. In fact, it was not until the Act of 1950 that the rate was finally increased from 2% to 3%, and from then on, for reasons which will be obvious, it went up in steady jumps to the present 7¼% which, as you know, is scheduled to rise to 8¼% and 9¼% in 1966 and 1968, respectively.

In 1939, the payroll tax, as mentioned, was still 2% on $3,000. The minimum pension was still $10 but the maximum was decreased to $60. The total annual Expenditure (benefits and expenses) was only about $14 million but, due to the excess of Income over Expenditure, the Fund had grown to $1.7 billion. The ratio of Fund to annual Expenditures was well over 100 to 1! With such a high ratio, it was perhaps understandable why the politicians did not increase the tax rate! The average monthly pension in payment in 1939 was about $22. This being the average, most of the indigent and less fortunate were obviously receiving considerably less than $22.

In 1951, *the year in which Canada enacted the Old Age Security Act* paying a flat $40 a month universally to everyone age 70 and over, the U.S. payroll tax was 3% on $3,600. The minimum and maximum pensions were $20 and $80. The total annual Expenditure was around $2.0 billion, up from $14 million 12 years earlier! The Fund now amounted to about $15.5 billion; with the ratio down to about 8 to 1. The average monthly pension in payment was about $42; meaning again that most of the indigent and less fortunate were receiving considerably less than $42. These indigent and less fortunate in the U.S. were considerably worse off than their Canadian counterparts who, of course, all received $40 a month. It might be argued here that OASI pensions are available from age 65, subject to a retirement test. This, of course, is true but the

less fortunate would hardly exercise it. They would have to continue to work to keep body and soul together. Furthermore, OASI not being universal, many other indigent and less fortunate had to turn to State plans of Old Age Assistance on a means test basis.

In 1964, *the year in which Bill C-136 received unanimous second reading,* the U.S. payroll tax was up to 7¼% on $4,800 and, as already mentioned, was scheduled to rise to 8¼% in 1966 and to 9¼% in 1968. The minimum and maximum pensions were now $40 and $127. The total annual Outgo had soared to $15.5 billion, up over $13 billion in 12 years! The Fund was now about $20.1 billion and the ratio of Fund to annual Outgo was down to 1.3 to 1! Seven years earlier in 1957 Expenditures had finally overtaken Income and, to avoid the disaster of having to progressively sell off bits of the Fund, the tax rate had to be steadily increased every two years or so from 1950. The average monthly pension in 1964 was $77.50 and again, being an average figure, a very substantial portion of the less fortunate were receiving considerably less than Canada's universal $65 a month.

The foregoing trends of Expenditures, Funds, ratios and tax increases are, of course, somewhat akin to those projected by the Government Actuary for the Canada Pension Plan.

A brief reference to Old Age Assistance in the U.S. might be of interest, since any country with a non-universal wage-related payroll tax type of plan must have Old Age Assistance as a major and fairly costly part of its old age pension arrangements.

In 1939, some $430 million in Old Age Assistance was paid to some 1.9 million beneficiaries. In 1951, the figures were $1.5 billion and 2.7 million. In 1964, after some 30 years of OASI, some $2 billion was paid out to some 2.2 million Old Age Assistance beneficiaries.

It is tragically irresponsible how some of the advocates of the Canada Pension Plan, in their enthusiasm to "sell" it, have gone so far as to downgrade our Old Age Security Act in the eyes of the public. The Canadian people and Parliament have just cause to be exceedingly proud of its fairness, efficiency and administrative economy. From the day it was enacted, it has done a much better job for our indigent and less fortunate aged than the United States plan, during its 30 years, has been doing for theirs.

IN CONCLUSION

It is my very earnest hope that the Joint Committee will conclude:

I. The Canada Pension Plan it not *the* best Plan for Canada.

II. The Old Age Security Act is *the* best base for *the* best Plan for Canada.

III. The vast majority of Canadians, if fully informed of the "upside-down" nature of the Canada Pension Plan and the "rightside-up" nature of an improved Old Age Security Act, would choose the latter.

IV. There is a grave and urgent need of evaluating and coordinating all of Canada's social welfare legislation, designed to help the less fortunate, before we embark upon a plan, costing some $600 million to start, designed to help the more fortunate more and the less fortunate and indigent less.

It is also my very earnest hope that the Joint Committee will agree that, if the Canada Pension Plan is enacted, the leaders of today will have committed a grave injustice to four very important groups of Canadians:

First, the present 1,000,000 Old Age Pensioners who should be our first concern but who will receive nothing from the Canada Pension Plan;

Second, the present and future indigent and less fortunate who, by reason of not being able to "contribute" anything or only very little, would qualify for little or no Canada Pension;

Third, our successors—your children and mine and their successors —who, by legislative enactment today, will be compelled to pay increasingly higher rates of tax than, apparently, we are prepared to pay today; and

Fourth, all those of good conscience today, who knowing the iniquities and inequities of the Canada Pension Plan, permitted its enactment.

Surely the price to our 1,000,000 Old Age Pensioners, to the present and future indigent and less fortunate both in and outside the Plan, to our successors and, indeed, to our consciences is much, much too high!

I fully realize a "contributory" scheme was one of the main planks in the Government's 1963 election campaign. In this connection, I would like to record the following quotation from the March 16th issue of a Toronto paper:

> "PENSION PLAN FIRST—PEARSON...Mr. Pearson said...he was giving priority to the contributory scheme because it was necessary and desirable in itself and because it involves no added drain on the revenue of the federal government."

I am sure that the people of Canada did not know any of the details and the "upside-down" nature of the Government's proposals and, furthermore, they would not agree that any legislation which compulsorily invades a man's wages is not revenue to the federal government. They voted for an idea and I believe the majority thought the idea was to help the indigent and less fortunate.

I am deeply conscious, of course, of the political difficulty of changing or withdrawing the Canada Pension Plan at this eleventh hour. At the same time, however, we must realize that Canadians are a fair, intelligent, rational and humanitarian people. Across Canada, including Quebec, the people know and feel their first duty lies to their indigent and less fortunate brethren.

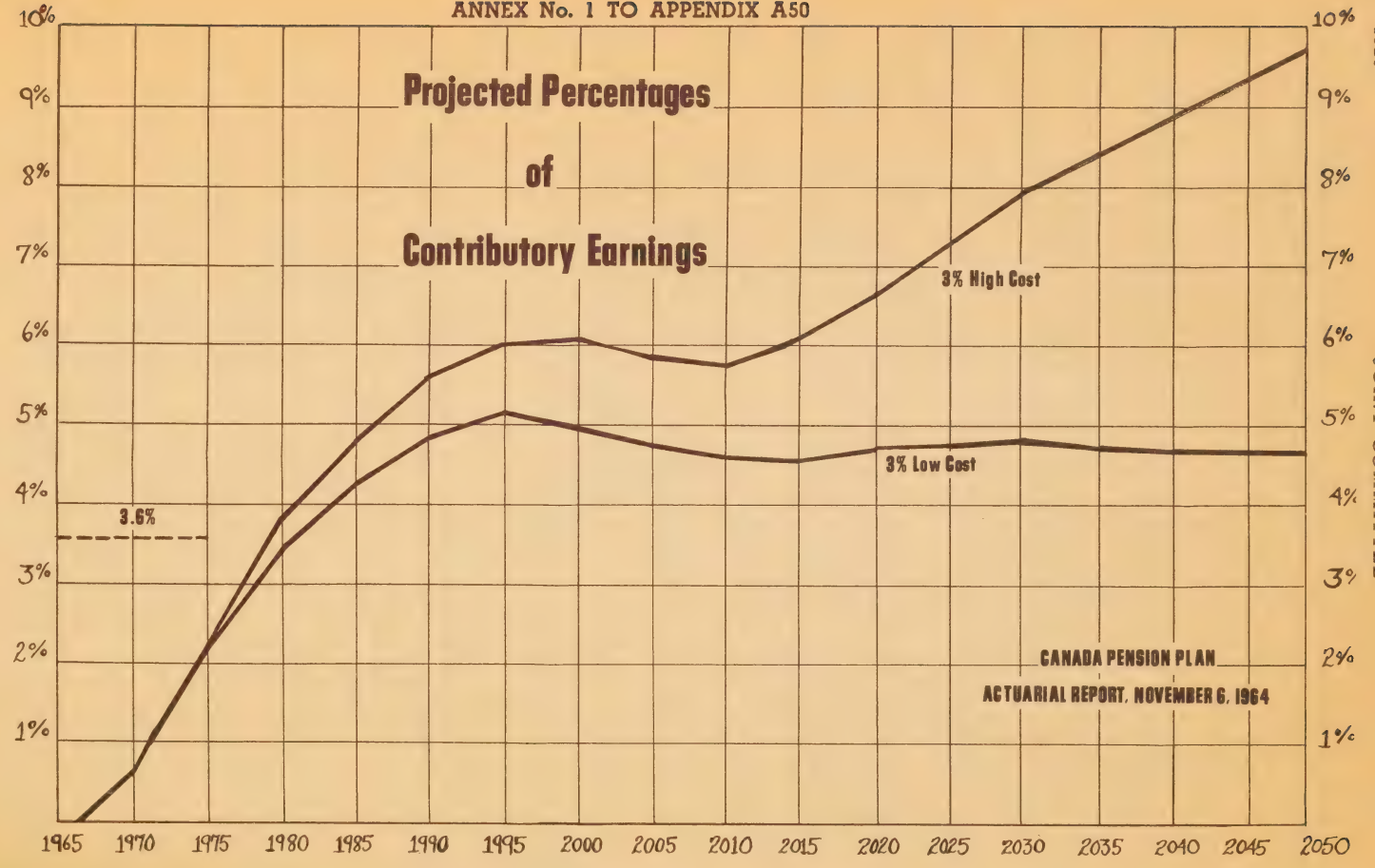
If they were told what is wrong with the proposed Plan and why improvements in the present Old Age Security Act would be more in the present and future public interest, I am sure they would be satisfied the right thing had been done by a re-enactment of the Old Age Security Act (with improvements) under the name of The Canada Pension Plan.

A few would chide. The vast majority, however, would applaud the Government, the Opposition and Parliament for having taken the right course of action after a full investigation of the original proposal. Not only would they admire Parliament for its courage and intelligence, but their faith in the wisdom and integrity of Parliament would be greatly enhanced.

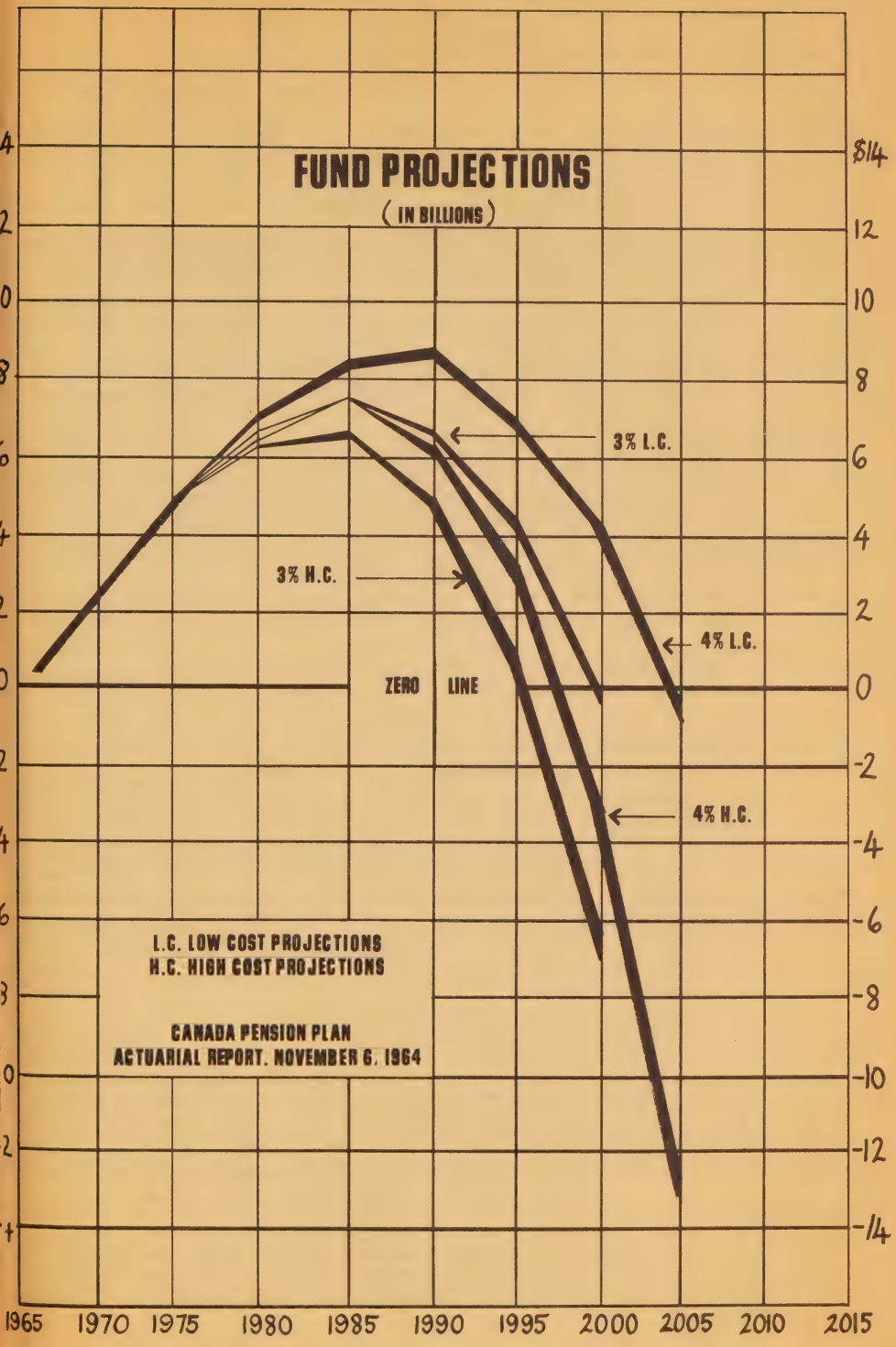
In conclusion, I would again express my deepest gratitude to the Joint Committee for permitting me to submit this brief. I again apologize for its bluntness but sincerely hope this bluntness at least served to give purpose and directness to my views and concerns.

Yours very truly,

Edward RUSE, B.A., F.S.A.


Projected Percentages
of
Contributory Earnings
3% High Cost
3% Low Cost
3.6%
CANADA PENSION PLAN
ACTUARIAL REPORT, NOVEMBER 6, 1964
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015
2020
2025
2030
2035
2040
2045
2050

ANNEX No. 2 TO APPENDIX A50



APPENDIX A51

29th December, 1964.

Submission of the International Association of Fire Fighters to the Special Joint Committee of the Senate and the House of Commons, appointed to consider and report upon Bill C-136, CANADA PENSION PLAN

The undersigned Association makes this submission in order to draw your attention to a particular problem which affects Fire Fighters and, we understand, other categories of employees in addition, although not to as great a degree. We refer to the fact that some employees may retire at age 60, such age being the normal retirement age under their private pension plans. Our concern is due to the fact that Bill C-136 contemplates a contributory period up to age 65, with retirement benefits payable as of that age or later but not before.

It is an accepted practice in many municipalities to provide for retirement of Fire Fighters at age 60. The British Columbia Municipal Employees Pension Plan, for example, provides for pensions payable at age 60 for Fire Fighters and Police but 65 for other employees. The newly established Ontario Municipal Retirement System follows a similar pattern. We are prepared, if necessary, to provide other data to indicate the extent to which this is true in municipalities across Canada. It is significant that many municipalities specify 60 as the maximum age at which a Fire Fighter may retire so that this is the age for compulsory retirement and the Fire Fighter does not have the option of continuing in service to age 65 in order to maximize his contributions to the Canada Pension Plan.

A Fire Fighter, in these circumstances, is faced with the fact that not only must he wait five years before obtaining entitlement to his retirement benefit but that there are five zero years in its calculation. The ten percent drop out could presumably provide some relief except that the Fire Fighters may also have lost time from work due to accident or illness. What we wish to stress, however, is the fact that if the pattern of employment of Fire Fighters is such that retirement at 60 is the rule, Bill C-136 has failed to take it into account. The Bill is obviously based on the assumption that people attached to the labour force as employees ordinarily retire at 65 under private pension plans, or, at any rate, that 65 is the normal retirement age. To the extent that there are employees who are exceptions to the rule, the Canada Pension Plan places them at a disadvantage.

It may be argued that a Fire Fighter retiring at age 60 may obtain employment for an additional five years or even become self-employed. We would merely point out the common-place fact that unemployed older workers suffer a distinct disadvantage in finding employment and the likelihood of finding a job in the case of a 60 year old Fire Fighter who has been nothing else for perhaps 35 years or more is rather remote. As for sufficient self-employment income to provide continued coverage, we doubt that the salary scales of even relatively well paid Fire Fighters are such to provide the necessary capital.

All Fire Fighters are presently participants in pension plans, the majority of which contain provisions for early retirement. The Canada Pension Plan would therefore be supplemental, or integrated, to some degree with their existing pension plans.

An amendment to the Bill to permit the exclusion of those years that a Fire Fighter is in receipt of a retirement pension from his existing plan, when computing the average earnings during employment, would possibly prove a satisfactory remedy. This would permit a Fire Fighter who retires at age 60 to have his average monthly pensionable earnings calculated from the period commencing January 1, 1966, or the date of employment, whichever is later, and ending when he retires from employment, with a deferred pension payable at age 65 from the Canada Pension Plan.

We believe that the submissions made to you, and your own investigations, will reveal that this is a problem of some proportion. We ask you to consider and recommend, therefore, a suitable amendment to the Bill which will protect Fire Fighters and others in like situations from suffering a loss in benefit as a consequence of a retirement rule which takes them out of employment and into retirement at 60.

We wish to make it clear that our only purpose is to draw attention to a specific problem. As a generality, we are in favour of the objectives of Bill C-136 which will provide pension benefits for all workers, however, the Bill as proposed would not permit Fire Fighters to enjoy the full benefits of the Plan, even though they had been contributors throughout their total employment.

As indicated above, we are prepared to furnish additional data in support of our position and would welcome the opportunity to make oral representations as well.

All of which is respectfully submitted on behalf of the Pension Committee.

APPENDIX A52

Re: BILL C-136

This brief is submitted on behalf of the Chesapeake and Ohio Railway Company, Great Northern Railway Company, Midland Railway Company of Manitoba, New York Central Railroad Company, Norfolk and Western Railway Company, and Northern Pacific Railway Company.

These companies employ approximately 1,600 Canadians for their operations in Canada. Three of the railroads operate in Ontario, one in Quebec, two in Manitoba, and one in British Columbia.

All United States carriers by railroad, are required by the United States Railroad Retirement Act and by the United States Railroad Unemployment Insurance Act to include their Canadian employees under both Acts. All employees, whether members of unions or not, must be included therein. Canadians have been included since the passage of the Railroad Retirement Act in 1937. Retirement benefits received vary according to length of service and average wage. Anyone with more than ten years service is entitled to benefits. A spouse is entitled to one-half of the employee's annuity up to a limit of $69.90 per month. Examples of typical benefits are:

1. An employee retiring in 1964 at age 65 with twenty years of service and an average monthly compensation of $300, and with a wife alive at the time of retirement would have a pension of $200.70 per month.

2. The same employee with thirty years of service would have a pension of $270.60 per month. (The attached booklet explains in greater detail retirement and unemployment benefits and the method of computing both.)

Under the proposed Canada Pension Plan, there will be no benefits payable until 1967; and not until 1976 will full benefits be available. But, for the purpose of illustration, if we assume that the employee in example 1 retires in 1968 at 65 years of age, he would be entitled to $66.00 per month. His wife could begin receiving Old Age Security payments in the amount of $51 per month when she reached 65. Under the Canada Plan, the employee in example 2 would likewise receive $66.00 per month.

In 1976, by which time the proposed Canada Plan would be in full effect, the employees described in examples 1 and 2 would each receive $126 per month and their wives would be entitled to $51 monthly under Old Age Security upon reaching age 65.

If past experience is any guide, United States Railroad Retirement and unemployment benefits will be increased in the future. An official of the United States Railroad Retirement Board recently estimated that within the next ten or fifteen years, retirement benefits for the average worker of $300 or $400 a month could be expected.

The United States Social Security Act has recently been amended so that many Canadian employees of American railroads who have less than ten years of railroad service, and thus do not qualify for Railroad Retirement benefits, would be eligible for U.S. Social Security at the time of retirement.

The Railroad Retirement Act also provides for death benefits in case the employee should die before retirement age.

The financial burden on U.S. railroads is considerably greater than the contributions proposed in the Canada Plan. The latter would require the employer and employee each to pay 1.8% on monthly earnings between $50 and $416.67. The U.S. Railroad Retirement Tax on employer and employee each has risen from 2¾% on monthly earnings of $300 in 1937, when the Act was adopted, to 7¼% on earnings of $450 at present, and is scheduled to increase to 9⅛% on earnings of $450 in 1968.

The funds are administered by the U.S. Railroad Rertirement Board, an agency of the United States Government. No part of the funds are under the control or management of the railroads.

In addition, Canadian employees of the undersigned railroads receive unemployment benefits pursuant to the United States statute, paid for by a tax levied on the employer only. Under this law, it is also mandatory to include Canadian employees.

These benefits are paid in cases of either unemployment, sickness or injury. For most employees, they amount to $10.20 a day for at least 130 days. The method of computation in typical benefits is set forth in the attached booklet.

The retirement and unemployment benefits are completely portable within the U.S. railroad industry, and are coordinated with the U.S. Social Security System.

The Canadian government exempts United States railroads operating in Canada from Canadian Unemployment Insurance requirements. See Sec. 67 of the Regulations under the Unemployment Insurance Act, R.S.C. 1952, Ch. 273.

It is respectfully submitted that Canadian employees of U.S. railroads enjoy benefits greater than those that would accrue under the Canada Pension Act. If these employers and employees were to be taxed for retirement benefits under both the Canadian and U.S. Acts it would be an intolerable burden. Our understanding is that a representative of railroad employees has already made a request for exemption.

We respectfully request that The Chesapeake and Ohio Railway Company, Great Northern Railway Company, Midland Railway Company of Manitoba, The New York Central Railroad Company, Norfolk and Western Railway Company, and Northern Pacific Railway Company be exempted from the provisions of Bill C-136.

Ottawa, Ontario, December 31st, 1964.

APPENDIX A53

THE SENIOR CITIZENS' ADVANCEMENT COMMITTEE

January, 1965.

BRIEF

Presented to the Special Joint Government Committee of the Senate and House of Commons on The New Canada Pension Plan

The above Committee hail the new Canada Pensions Act as a beginning to establish orderly retirement conditions for Canadian workers, despite the fact that many citizens will not be eligible, being too young for the Old Age Pension and past the accepted age for the new plan.

Unfortunately for many tens of thousands of Canadian workers, both private and government retirement plans have come too late to include them.

Most private plans have only recently, since the '50's come into being, and are based much too low, the average retirement pension being about fifty dollars monthly. Private insurance firms are not yet prepared to provide a fully comprehensive pension plan to serve every worker in Canada.

We constitute a lost generation, and are therefore not prepared to challenge the many provisions in the New Pension Plan, except in so far as it affects the federal Old Age Pension, tying it to the cost-of-living in 1968, pension benefits and age limits.

May we strongly emphasize that:—
We do not want the cost of living to rise.
We want it to go down.

Price increases constitute a direct cut in pension benefits, reducing all incomes, especially of those living on private, small pensions. Cost-of-living bonuses limited to two points annually, cannot compensate for price rises.

In our opinion, the cost-of-living bonus as proposed tends to freeze the federal Old Age Pension at seventy-five dollars a month at age seventy. We strongly object to this provision, and urge that it be struck out.

We believe that the federal Old Age Pension and the new Pension plan must be adjusted upwards as the national wealth increases, at regularly spaced intervals—something to look forward to—and should be tied to the Gross National Product and taken out of politics altogether.

We urge that fully adequate provisions and arrangements be included now in the New Act to provide a basic minimum pension of one hundred dollars monthly in each pension plan. We urge that age qualifications in both plans be lowered to sixty years for women and sixty-five years for men, with full total benefits beginning at these ages.

Retirement of people in industry is governed by private interests of insurance companies, it is their standard practice to retire women workers at sixty years, and men at sixty-five, regardless of individual financial needs, mental and physical ability, thus forcing them to live in austerity until they are eligible at seventy years for the Old Age Pension—constituting a hardship to these people.

Old Age pensions were introduced in Canada in vastly different economic conditions than exist today. It was then that Old Age pensions were paid

out as charity—pitiful stipends—means-test provisions—to keep body and soul together at age seventy, when the spark of life was barely flickering, and life expectancy was much lower than it is today.

It was then a haphazard government grant, now there is a special fund built up of various percentages from income taxes, sales tax, etc. In fact the Old Age pension fund is now self-supporting with a surplus of about fourteen million dollars and growing as the wealth of the nation grows. Retirement at an earlier age will be mandatory in the not distant future, due to automation. The government already recognizes the need for lower age qualifications by providing pensions at sixty and sixty-five years with a means test, and also by paying employers to hire workers over forty-five, pointing up the difficulties that confront older workers seeking jobs.

The peoples of the world are more and more looking to their governments to make universal provisions for adequate and secure retirement. We in Canada are no exception. In the U.S.A. provisions are made for women at sixty and men at sixty-five to receive up to two hundred dollars a month. In England the age is sixty and sixty-five. In Switzerland—sixty-two, New Zealand—60, Denmark—62 and 67, U.S.S.R.—55 and 65. Some with and some without a means test. Even in China, where a few years ago, old people starved and died on the street, pensions are now given at age 50 and 55 in that enormous and over-populated backward country. Surely Canada cannot lag behind on this vital age question.

In view of the urgent economic needs of the senior citizens, it is deplorable that the Canadian government proposes to spend one billion and half dollars to expand United States made nuclear weapons abroad. This will bring no direct benefit to the Canadian economy, but is directly contrary to the best interests of world peace, disarmament and international co-operation. It is provocative in the extreme.

If this vast sum were put directly to increasing pensions and lowering age limitations, it would be spent in Canada, creating a new domestic economic boom, with a great impetus to production and employment. Every upward revision of the pension act, thereby putting more money into the hands of the people has always boosted our economy. We believe that charity begins at home, the money spent in defending and raising the living standards of Canadians at home is the best defense of all.

We believe the Canadian government will deserve and earn the lasting gratitude of the Canadian people by establishing *now* a full comprehensive system where both pensions start at one hundred dollars a month at age sixty and sixty-five years without a means test.

Respectfully submitted,

President:

Robert Hunt,
4 Bertha Avenue,
Scarboro, Ontario.

Secretary:

(Mrs) Margaret Lettice,
256 Westlake Avenue,
Toronto 13, Ontario.

APPENDIX A54

AGE AND OPPORTUNITY BUREAU

204 Donalda Building, 322 Donald St., Winnipeg 2, Man.

February 1st, 1965

To the Chairman and the Members of the Joint Committee of the Senate and the House of Commons, appointed to consider and report upon Bill C-136, The Canada Pension Plan

GENERAL

1. The Age and Opportunity Bureau is a social agency concerned with older people. It is supported by the Community Chest of Greater Winnipeg, the Winnipeg Foundation and the Welfare Department of the Government of Manitoba. Its affairs are managed by a Board of Directors of twenty five volunteers and operated by two full-time and one half-time professional staff members and one full-time clerical staff member. The main functions of the Bureau are study, planning, leadership, community stimulation and representation. An information, referral and counselling service is also provided for older persons, their friends and families.

THE PROPOSED CANADA PENSION PLAN IS THEREFORE OF PARTICULAR CONCERN TO THE BUREAU AND IT HAS BEEN GIVEN CONSIDERABLE STUDY BY ITS INCOME MAINTENANCE COMMITTEE. OUR CONCERN IS FOR THE OLDER PERSON WHO, ON HIS RETIREMENT, FINDS HIMSELF WITH INADEQUATE RESOURCES FOR LIVING.

2. The responsibility of the community to the older person is fully recognized by the Bureau, as is the need for public assistance within the ability of society to provide it. In the final analysis, the productive ability of the people will determine the amount which can be used for welfare purposes. Canada has the productive capacity to meet all its welfare needs. There are needs for health services, for good housing and for education, just as pressing as the need for a comprehensive pension plan. It is important that the priority of each of these needs should be considered as well as the extent to which the provision of one will tend to alleviate the need in another. It is also important that the sense of independence, the dignity and the initiative of our people be maintained.

CONTRIBUTIONS AND BENEFITS

1. If the present Old Age Security pension provides a minimum adequate pension at the age of 70 (and we do not suggest that it does) then the proposed minimum earnings-related pension, plus the discounted Old Age Security Pension at the age of 65 do not. For example, after the end of the transition period, and assuming the Consumers' Price Index remains unchanged, the combined pension available to a single contributor at age 65 whose average annual earnings were $800.00 will be $66.66 per month.

2. The attempt to establish some semblance of relationship between payments made and benefits derived has not resulted in a fully earnings-related

plan. It has provided for one that is unnecessarily complex and difficult to understand.

(a) The attempt to establish an earnings-related plan has resulted in provision for payment of benefits based not entirely on an individual's contributions and not related to his needs. The waiting periods are simply a nuisance which add to the expense of administration and serve little useful purpose.

(b) The intention to require contributions from all who should contribute would add much to the cost of administration of the Plan, e.g. the self-employed in lower income brackets, who, at this time are not required to file income tax returns.

3. It has been estimated that there are over 1,480,000 persons in Canada today over 65 years of age. Only 9% of these will receive any benefits from the proposed Plan and these benefits will average only $33.00 per month for each person.

RECOMMENDATIONS

1. The needs of older people should be met immediately by an extension of the Old Age Security Pension using the existing machinery.

2. The Government of Canada should determine the amount of the minimum pension required. There are regional differences in the cost of living, but the highest regional minimum recognized should be accepted as the national minimum. The Government should also determine the age at which the pension should commence. Benefits for widows, orphans and the disabled should be adjusted accordingly.

3. An appropriate reduction should be made if in the case of married persons it is found that the sum of the pensions granted under Old Age Security exceeds the minimum amount required to meet their needs.

4. Provisions should be made for adjustments in the benefits in line with any changes in the Consumers' Price Index, as provided in the proposed legislation.

5. Every person who is financially able to contribute should be required to do so as is now required through Income Tax payments. The basic exemption allowed free of Income Tax should not be lower than the minimum Old Age Security Pension.

6. The Government of Canada should determine the national needs in the areas of health, housing, education, and income maintenance and establish their priorities.

7. Bill C-136, the Canada Pension Plan, should not be adopted in its present form.

Respectfully submitted

AGE AND OPPORTUNITY BUREAU

A. C. Scott
Chairman, Income Maintenance Committee

M. P. Michener,
President

APPENDIX A55

UNITED FISHERMEN AND ALLIED WORKERS' UNION

Headquarters: The Fishermen's Hall, 138 East Cordova Street, Vancouver 4, B.C.

January 28, 1965.

We wish to express our appreciation to you and to the members of the Special Joint Committee for the opportunity to submit the views of our Union on the Canada Pension Plan—Bill C-136. Our Organization consists of about 9,000 fishermen, transport workers and processing plant workers employed in the production of fish and fish products in the Province of British Columbia. Collective agreements covering rates of pay and working conditions of fishermen and allied workers have been signed between our Union and the major fishing companies in B.C., united in the Fisheries Association of B.C. and between the Union and other independent companies and the Prince Rupert Fishermen's Co-operative Association.

Except for the shore plant processing workers*, we have not established any pension plans for our membership. However, we are committed by a Memorandum of Agreement signed in 1964, to discuss the feasibility and possible implementation of a pension plan for tendermen (i.e. men working on board fish transport vessels) covered by our collective agreements during 1965**. We are also in the process of working out details of an industry-wide pension plan which would include all groups of fishermen, tendermen and shoreworkers for whom our Union conducts collective bargaining. A broad outline of our proposed plan is attached hereto for the information of the Joint Committee***.

Due to the combined effect of seasonality of employment, high rate of turn-over from year to year, restrictive eligibility clauses, voluntary enrolment, and relatively low pension, our estimate is that less than half of the shore plant employees are presently enrolled in the existing pension plan. Since the fishermen and tendermen have no pension plan it is correct to state that only a tiny minority of the men and women who catch, transport and process fish in British Columbia are participants in any retirement or pension plan.

We have no hesitation in stating our support for the adoption of a comprehensive pension plan which will enable all Canadians to retire with an income which will provide a decent living standard in their declining years. Bill C-136, does not, in its present form, provide all Canadians with the degree of security in retirement which we believe to be justified and feasible. With certain basic amendments, which we will outline, we are sure the Canada Pension Plan will receive overwhelming support from the working people of Canada.

Before stating our views on such needed amendments to the basic terms of the Plan, we wish to submit information and recommendations regarding the inclusion of commercial fishermen. Commercial fishermen are workmen, in

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* (Appendix I—Excerpt from Fresh Fish & Cold Storage Master Agreement setting out basic terms of Pension Plan—see Article XXI—appendix

** (Appendix II—Memorandum of Understanding—Tendermen

*** (Appendix III—Draft—B.C. Fishing Industry Pension Plan

fact. They earn their livelihood by a combination of hard manual labour and skills acquired in the operation of boats and gear. The work is dangerous, exacting many lives every year in the harvest of Pacific and Atlantic fishery resources. Most Canadian fishermen are employed in catching and transporting fish by large or small fishing companies. A minority are members of producer co-operatives in which they share ownership of transport and processing facilities.

Workmen's Compensation Act of B.C.—Status of Commercial Fishermen

The position of commercial fishermen under provincial and federal legislation varies considerably. The Workmen's Compensation Act of British Columbia, for example, treats fishermen as workmen and employees of the fishing companies and of the co-operatives whereas other fishermen are treated as "independent operators". The line of demarcation appears to be as follows:

(*a*) A "fisherman shall be deemed to be an employee within the Act, who uses a boat and gear, or boat supplied by the Cannery". The regulations further provide that "Where an employer hires the boat of the workman the workman shall be deemed to be an employee fisherman."

(*b*) Any fishermen not coming within the definitions stated in (*a*) above may obtain Workmen's Compensation coverage as "not being an employer or a workman but performing work of a nature which, if he were a workman, would be within the scope of" the Part of the Act which admits "independent operators."

An individual fisherman may, during one year, be classified as a "workman" then be treated as "independent operator" and then return to the status of "workman". This may happen where he begins the calendar year as a herring fisherman, spends the spring and early summer fishing halibut, then goes salmon seining for the late summer and early autumn and winds up the year fishing herring.

Some fishermen may do all of their fishing in the category of "workmen" while others do all or most of their fishing in the artificial status of "independent operators."

When a fisherman suffers an industrial accident causing loss of employment or when a fisherman dies at sea, these "legalistic" interpretations immediately become extremely important. If he was, at the time of accident or death, classified as a "workman" then automatically he or his widow or orphaned children would be entitled to benefits because the fishing company for whom he was catching fish or the co-operative to which he belongs is required under the Act to have paid the regular assessments levied upon the fishing industry by the Compensation Board. Unfortunately, if accident or death occurs when he is classified as an "independent operator" any payment of benefit depends upon whether the individual fisherman had voluntarily, and in advance, paid an assessment covering this period of his work as a fisherman.

The anomalies and hardships created by such "legalistic" lines of demarcation are too numerous to be listed in this brief. In many instances they could be classified as a prime example of "man's inhumanity to man.". We can state that our Union is actively campaigning, both by submission to a Commissioner investigating the B.C. Workmen's Compensation Act and to the Government of the Province of B.C., for amendments to the Act which would:

(*a*) Add to the definition of the term "workman" the words "and in respect of the industry of fishing, a workman shall include every commercial fisherman."

(*b*) Add to the definition of the term "employer" the words "and in respect of the industry of fishing an employer shall include every

person, licensed under the Provincial Fisheries Act, who purchases fish from or acts as agent in the sale of fish for a commercial fisherman."

(c) We further propose that a "commercial fisherman" be defined as a "fisherman who is legally engaged in fishing—as a means of livelihood and who supplies fish to a person licensed under the Provincial Fisheries Act."

These amendments would, if adopted, remove the anomalies and return to a condition wherein all commercial fishermen in B.C. would be protected by the Workmen's Compensation Act, with the fishing companies paying the necessary industry assessment. We specifically mention a *return* to a condition, because in 1916 when the B.C. Workmen's Compensation Act was first passed, it was applicable to "employers" and "workmen" in the industry of "fishing." In those years, almost all the boats and gear were owned by the fishing companies. The legal relationship was, unquestionably, that of employer and employee, with payment for fish caught being made in cents per pound (i.e. at piecework rates).

Today, all herring seine fishermen are covered as "workmen" under the B.C. Workmen's Compensation Act." They are paid a piecework rate expressed in dollars and cents per ton of herring caught. (e.g. the 1964-65 Union Agreement provides for a payment of $14.48 per ton or $1.81 per man per ton on an 8 man seiner). There are about 850 B.C. fishermen engaged in this fishery.

All salmon seine fishermen are covered by Workmen's Compensation as "workmen". They are also paid on piecework rates calculated by first multiplying the pounds of salmon caught by the rates per pound negotiated in the Union contract to arrive at a gross landed value; then deducting fuel and lubricating oil expenses; then deducting 36.36% as a boat and net share, and then deducting from the remaining balance, the cost of food consumed, and dividing what is left by the number of men employed on the vessel. About 2,500 B.C. fishermen are employed as salmon seiners.

A small minority of salmon gillnetters, using boats rented from the companies are also treated as "workmen". The vast majority of gillnet fishermen, although they are covered under the same trade union agreement as seiners, are classified as "independant operators" under present Compensation regulation. This is because they operate boats which they "legally" are considered to "own" but which are invariably mortgaged heavily to the fishing companies. Salmon gillnetters i.e. those regularly employed in the fishery, number approximately 3,500.

Salmon trollers are all classified as "independent operators" regardless of their mortgages or other contracts which, in many cases, compel delivery to a particular company. They would number approximately 4,500.

Halibut fishermen, who may be employed on vessels with crews of from 3 to 10 men, as well as those employed on small 1 or 2 men boats, are all classed as "independent operators". Their remuneration is calculated by deducting from the gross landed value; a boat share of 20%; the expenses of ice, fuel, bait, replacement of fishing gear and food and then dividing the balance by the number of men employed. About 1,500 men are engaged in this B.C. fishery.

Fishermen employed in trawling for flatfish and cod, crab fishermen, shrimp fishermen, etc., are all classified as "independent operators". Numerically, they represent a small minority as the three major B.C. fisheries are for salmon, halibut and herring.

It appears obvious to us that the present mess should be cleaned up by amendments which treat all fishermen as workmen and employees and

which require the fishing companies and co-operatives to pay the needed assessments as part of the cost of production. Nevertheless, the fishing companies, in order to save themselves a cost equal to about 2% of the estimated income of the fishermen who are not now classified as "workmen", are desperately trying to stop progress. If they could get their way they would eliminate all assessments on the companies and force all fishermen to pay for compensation coverage.

Our experience with these companies in the negotiation of welfare plans and medical plans for fishermen convinces us they will resist every progressive measure. Strike action or the near proximity of strike action brought about welfare plans, providing death benefits to widows and orphans and shipwreck benefits to fishermen who lost personal belongings in a fire or sinking. Only last fall our herring fishermen were forced to strike to achieve a medical plan paid for by equal contributions from fishermen and the companies.

Unemployment Insurance Act—Status of Commercial Fishermen

In 1940, when the first Unemployment Insurance Act was adopted, all fishermen were excluded. It made no difference whether they were "employees" or "self-employed". Of course, many other "seasonal" industries, such as logging, longshoring and water transport were excluded because the hazards of unemployment in the off-season were considered too great a risk to be insurable.

By 1956 these other jobs had been included. The Federal Government then decided to include commercial fishermen. In doing so, the Government did not impose any "legalistic" dividing line between fishermen. Regardless of whether the legal fraternity would classify them as "workmen", "employees", under a "contract of service" or as "independent operators", "sharesmen", "adventurers" or "self-employed" the Government treated all fishermen as employees of the companies or co-operatives or persons responsible for processing the fish. Likewise, all persons, inclusive of fishing companies and co-operatives, with whom fishermen entered into contractual or commercial relationship, were classified as "employers" of the fishermen.

Section 29 (2) of the Unemployment Insurance Act now reads: "Notwithstanding anything in this Act, the regulations made with the approval of the Governor in Council under Section 26 for including employment in fishing in insurable employment may, for all purposes of this Act, provide for

(*a*) including as an insured person any person who is engaged in fishing (hereinafter called a "fisherman"), notwithstanding that such person is not an employee of any other person;

(*b*) including as an employer of a fisherman any person with whom the fisherman enters into contractual or other commercial relationship in respect of his occupation as a fisherman; and

(*c*) all such other matters as are necessary to provide unemployment insurance for fishermen".

The Federal Government took a practical step towards social justice by including all fishermen as "employees" and all companies and co-operatives as "employers". Our Union naturally pressed for, and supported, this action. At the time the fishing companies in B.C. did not oppose universal inclusion of all fishermen under the Unemployment Insurance Act.

We did propose measures which would have brought more contributions from fishermen during good seasons and either no benefits or restricted benefits in the off-season immediately following such good seasons. Our proposals would have, in general, increased the income and reduced the payment of benefits with a resultant improved balance, at least in cases where average earnings of fishermen were good. However, our proposals were ignored.

The Fisheries Council of Canada, in a Brief to the Gill Commission of Inquiry on October 18, 1961 stated: "Experience has shown that the Act and Regulations designed for payroll workers, and the actuarial basis of the Unemployment Insurance Fund, obviously cannot provide off-season benefits of self-employed fishermen. However, we realize that it would be difficult to now withdraw Unemployment Insurance from this group—and we do not advocate such a drastic step." "Therefore, it is our opinion that some additional provision must be made to provide the funds to finance these benefits. We propose that when the contributions made by, and on behalf of fishermen, are no longer sufficient to provide the benefits, that the Unemployment Insurance Fund be supplemented by the necessary additional financing from the general revenues of the Government."

Since then the Fisheries Council of Canada, which also represents the B.C. Fisheries Association, has indicated support for certain recommendations of the Gill Commission designed to once again exclude fishermen from the Unemployment Insurance Act. In our opinion, the major reason for this attack by the fishing companies on the right of fishermen to a minimum of social justice, is either a matter of "actuarial stability" or "legal principle". The real reason cannot be found in the Company Briefs or even in their verbal submission. We have come to the only logical conclusion that fishing companies are using every conceivable line of argument to avoid paying the employer's portion of the cost of Unemployment Insurance, just as they call for elimination of the employer's cost of Workmen's Compensation coverage for fishermen. Undoubtedly, these fishing companies will seek to avoid any contribution toward the Canada Pension Fund in respect of fishermen engaged in supplying the new materials (i.e. fish) to their factories.

Canada Pension Plan—Bill C-136—Status of Commercial Fishermen

Bill C-136 does not clearly indicate to us whether fishermen will be classified as "employees" or whether the fishing companies and co-operatives will be deemed "employers" of fishermen. *Section 2 Definitions* indicates an "employer" (p) "means a person liable to pay salary, wages or other remuneration for services performed in employment"—. "Employment" is defined as "the performance of services under an express or implied contract of service"—.

Consequently, if no other definitions are added to the Act, commercial fishermen will face one of two basic alternatives. Where the "contract of service" is indisputable they may be classified and treated as "employees" engaged in "pensionable employment". For such fishermen the cost of the Canada Pension Plan will be 1.8% of their income within the prescribed minimum and maximum limits. The other 1.8% contribution will be paid by the fishing companies.

Where the existence of a "contract of service" can be successfully challenged by the companies, the fishermen may end up by paying the full 3.6% cost of the Pension Plan out of their own pockets. We are convinced the Companies will, to save themselves the cost of this 1.8% contribution, use every legal technicality in the book to deny the existence of employer-employee relations with fishermen.

It is noted that Section 7 (1) (d) provides power for the Governor in Council to make regulations for the inclusion in pensionable employment of the "performance of services for remuneration if it appears to the Governor in Council that the terms or conditions on which the services are performed and the remuneration is paid are analogous to a contract of service, whether or not they constitute a contract of service." This, we presume, would enable the Cabinet to include all commercial fishing within "pensionable employment".

On the other hand, Section 7 (2) (*d*) provides the Cabinet with wide powers to exclude from "pensionable employment" persons whose "work performed—in that employment is similar to the nature of the work performed by persons employed in employment that is not pensionable employment." Section 7 (2) (*e*) permits the Cabinet to exclude persons from "pensionable employment" where "the services are performed and the remuneration is paid in a manner analogous to the earning of income from the carrying on of a business."

There is a high degree of similarity in the general principle, as well as the text, of the provisions of Section 7 of Bill C-136 and Sections 26 and 28 of the Unemployment Insurance Act. Section 26 (*d*) of the U.I. Act enables the Commission, with the approval of the Governor in Council to include in insurable employment "any employment if it appears to the Commission that the nature of the work performed by persons employed in that employment is similar to the nature of the work performed by persons employed in insurable employment." Likewise, the Commission may, with Cabinet approval exclude from insurable employment under 28 (*d*) "any employment, if it appears to the Commission that the nature of the work performed by persons employed in that employment is similar to the nature of work performed by persons employed in employment that is not insurable."

The foregoing similarity of language is obvious. The extent of these powers are set forth in the Unemployment Insurance Act and the proposed Canada Pension Plan Bill C-136 in identical terms. The U.I. Act states in Section 29 (1) "A regulation made under 26 or 28 may be conditional or unconditional, qualified or unqualified, and may be general or restricted to a specified area, a person or a group or class of persons,—". Exactly the same words are used in Section 7 (3) of Bill C-136 to define the extent of authority to decide whether certain persons will be included or excluded from the list of "pensionable employments".

Perhaps we should presume that since the powers of the Cabinet are identical there will be identical regulations in respect of commercial fishermen. Since all commercial fishermen in Canada are deemed to be employees engaged in suitable employment, and since all fishing companies and co-operatives are deemed to be employers of commercial fishermen, then it is axiomatic the Cabinet will include all fishermen within pensionable employment and require the fishing companies and co-operatives to make the regular employer's contributions, as well as the deductions from the fishermen payable to the Canada Pension Plan.

However, the Unemployment Insurance Act contained wide powers for inclusion of fishermen long before they were, in fact, included. Fishermen were included only when a new Section 29 (2) (a) (b) and (c) was added by amendment to the Act extending unemployment insurance to fishermen. We cannot, therefore, presume that the mere existence of authority will result in action by the Governor in Council classifying all commercial fishermen as being engaged in "pensionable employment".

On December 28, 1964, we received from the Minister of Fisheries a "Non-official document" which he said we could quote and use, bearing in mind it is not official. It is entitled "*What the Canada Pension Plan Means to the Fishermen.*" We quote below the sections dealing with *Coverage and Collections*:

"*Coverage*

Compulsory for almost everyone—including fishermen, both self-employed and employees.

Bill C-75 had made it voluntary—though too hard to reach administratively. However, the following developments occurred:

(1) Quebec Plan was compulsory for all.

(2) Some provincial premiers feared voluntary plan would exclude many who needed coverage most.

(3) Canadian Federation of Agriculture asked for compulsory coverage for farmers.

So, Bill C-136 covers self-employed compulsorily provided they make over $800 a year; that is, $200 is the minimum earnings subject to contribution, and $7.20 is the minimum annual contribution.

Net earnings are defined as Gross Earnings from fishing operation less all expenses of operating boat; the remainder is profit or net earnings subject to taxes (before personal deductions).

Fishing employees are covered if they earn over $600 a year. Some short-term fishing employees will be excluded. Unless a man works for more than 25 days for one employer and earns more than $250 from him, he is excluded from contributing to the plan for that employment.

Collections

The contribution rate is 3.6% on earnings from $600 to $5,000; therefore $158.40 is the maximum contribution for a self-employed person for a year. (It will be deductible from his taxable income).

For his employee, the fisherman pays 1.8 per cent of earnings from $600 to $5,000. This contribution, together with the employee's contribution (i.e. 3.6 per cent), is to be sent by the fisherman to the Department of National Revenue. This fisherman's share is deductible as an expense of his fishing operation.

Income Tax Machinery issued for collections:

the fisherman is to send in monthly the amounts deducted from his employees, plus the employer share.

T-4's will annually show for whom the deductions were made.

annually or quarterly the fisherman makes his own contribution as a self-employed person, using the same form as for his own income tax.

It is recognized that if net earnings are under $2,000 (married) or $1,000 (single) they are not subject to income tax. Therefore, a special simplified form will be developed for the low income groups among the self-employed.

Since the $600 basic exemption is equivalent to $50 a month, a fisherman would only contribute on the wages of his employees that are over $50 a month.

Refunds will, of course, be made to employees if they overpay their contribution in any year."

While the foregoing refers to "fishermen, both self-employed and employees" the emphasis on fishermen as employers and lack of any reference to fishing companies as employers leads us to believe the following may be intended by the person who drew up the original document:

(*a*) That all fishermen who own boats, whether such boats are financed by or mortgaged to fishing companies or not, will be classed as self-employed.

(*b*) That fishermen who do not own boats will be classified as employees of the owners of the boats on which they are fishing.

(*c*) That all contributions and deductions on behalf of fishermen will be made by fishermen, either as self employed persons or as employers of other fishermen. Where a fishing company owns the fishing vessel it is not clear whether the captain of the vessel would be classified as a self employed fisherman or whether the company would be considered as his employer by virtue of vessel ownership.

(*d*) That fishing companies and co-operatives which purchase and/or process fish *are not* deemed to be employers under Bill C-136 Canada Pension

Plan, regardless of precedent established in the Unemployment Insurance Act or their similarity to other employers of persons paid on a piecework basis.

We are opposed to any regulation which absolves the fishing companies of their responsibility for a contribution toward the Canada Pension Plan and which places the full burden of cost on the fishermen. We, therefore, favour an amendment to Bill C-136 to provide for:

(1) Inclusion of all commercial fishermen in the definition of employment considered to be pensionable employment, notwithstanding that some fishermen may not appear legally to be employees.

(2) Inclusion as employers of fishermen any fishing company, co-operative or person with whom fishermen enter into contractual or other commercial relationship in respect of their occupations as fishermen.

(3) All such other matters as are necessary to provide that commercial fishermen are included in the Canada Pension Plan with the normal employer's share of the contribution being paid by the fish processing companies and co-operatives.

Our basic reasons for these proposals may be summarized as follows:

(1) The fishermen of Canada earn their livelihood in the catching of fish which constitutes the raw material for the fish processing industry of Canada. The relationship of fishermen to the fish processing industry is an employee-employer relationship, even where strictly legal interpretations may indicate some other relationship.

(2) The fishing industry of Canada (i.e. fish processing concerns taking delivery of raw fish from fishermen and processing and distributing it) is well able to afford the employer's contribution to the Canada Pension Plan in respect of fishermen. The industry is already geared to handle the practical problems involved in calculating and forwarding contributions, as a result of experience in dealing with Unemployment Insurance for all fishermen and Workmen's Compensation covering large numbers of fishermen.

(3) The commercial fishermen of Canada are workmen in fact, earning on an average, less than their fellow workers employed in shore-based industries. Fishermen cannot afford to pay the full cost of a pension plan and should no more be compelled to do so than loggers, miners or other workers engaged in primary production.

(4) Failure to compel the companies in the fishing industry to contribute toward the Canada Pension Plan in respect of earnings of fishermen would amount to an act of favouritism toward the fishing companies. It would relieve them of an obligation which other employers are compelled to assume. By the same token, such a failure would be an act of discrimination against the fishermen of Canada inasmuch as they would be compelled to shoulder double the pension costs borne by other industrial workers.

(5) The Unemployment Insurance Act provides a clear cut precedent in Federal legislation for treating fishermen as employees of the fishing companies and co-operatives which process and distribute fish. We know of no valid reason for departing from this procedure in writing legislation establishing the Canada Pension Plan.

Before concluding this part of our submission it should be noted that a fishing company must pay the regular employer's contribution on earnings of company officers or directors. An examination of yearly stipends and general remuneration of such persons would quickly reveal the fact that their average pay is many times the average pay of the fishermen. The head of a fishing company who earns $100,000 or even $1,000,000 per year will pay $79.20 as his annual contribution, an equal sum being paid by the company. Surely, there is no

justice in requiring a fisherman who has earned $5,000 to pay $158.40 while the company pays nothing. There is even less justice in compelling a fisherman whose annual earning is only $2,800 to pay $79.20 into the Pension Plan while the fishing company which profits from processing and distribution makes no contribution.

In substantiation of the above, we would refer you to the publication of the Department of Fisheries entitled, "A review of the Fishing Earnings of Salmon and Halibut Fishermen in British Columbia, 1957 and 1958." According to Table 19 of that publication, 9,255 fishermen engaged in salmon fishing in 1957, and earned an average net income of $1,497. 1958 was a record year for salmon fishing, and yet in that year 11,062 fishermen averaged only $2,466. In that same year, *Taxation Statistics* shows that 4,671,106 persons classified as "employees", including both taxpaying and non-taxable employees, reported average earnings of $31.95 to the income tax authorities. Thus, in their best year, salmon fishermen averaged only 77 per cent of the average earnings of "employees".

It would, therefore, be grossly unfair to treat fishermen on the same basis as self-employed business and professional people for the purposes of the Canada Pension Plan. On the contrary, they are even more than other categories of workers, in need of the benefit of employer contributions.

Fishermen face all possible hazards in harvesting the fishery resources upon which our Canadian fishing industry has grown and profited. We urge all members of this Joint Committee to bear in mind the difficulty of figuring the lives of fishermen lost at sea into the price of a pound of fish on the market. The White Paper issued by the Government in 1964 said the Canada Pension Plan "is designed to extend social insurance protection to people in retirement, to widows, orphans and the disabled. It will be a basic part of Canada's social security system". Unless the amendments we have proposed are adopted the effect of this fine aim on the majority of Canada's fishermen will be to force the greatest burden of cost on those least able to pay.

In our opinion, the full burden of cost of the entire Pension Plan should be levied on industry rather than compelling working people to pay half the cost. Industry can well afford to pay. Certainly, there is no excuse, in any industry or in part of any industry for reversing the general principle to the point where the working people pay the whole cost while industry escapes payment.

Exemption re persons employed less than 25 working days or less than $250.00.

We note that Section 6 (2) (a) excepts employment in "agriculture horticulture, *fishing,* hunting, trapping, forestry, logging or lumbering" where the employee receives "less than $250.00 in such remuneration" *or* where the employee is engaged *"for a period of less than 25 working days in a year."*

While there may be some justification for a cash limitation in respect of employer contributions we cannot understand why such exception is made only in respect of certain industries. Since the Plan is portable we believe all employers in all industries should be required to contribute equally.

The exceptions could work against substantial numbers of workers who are forced to move from one job to another for very short periods of employment.

A "period of 25 working days" often constitutes the entire employment of wage-workers employed on fish transport vessels (i.e. tendermen) and in certain isolated fish plants. Wages earned in such 25 day periods could range from $605.50 for a cook deckhand to $813.00 for a captain employed in fish transport for 25 working days. While these daily wage rates may seem unusually good, we should point out there are no hourly controls in effect, consequently these men may put in 18 or 20 hours each working day. Board rates are in addition to these wages, so the sums indicated would be considered "cash remuneration". In

isolated fish canneries, where one basic crew may work excessively long hours, for a short season, similar earnings for periods of 25 days or less are realizable.

We would, therefore, recommend elimination of the limitation based on a specified number of working days, or as an alternative cutting the number of days to 5.

Likewise, we would recommend elimination of the cash limitation or as an alternative cutting it to $100.00.

General Provisions

In general, the United Fishermen and Allied Workers' Union takes the position, in common with many other unions, that the Canada Pension Plan represents an important step forward in the social security program of the Canadian government, and as such is worthy of support, but that it is open to criticism in some of its provisions.

Means Test

One of the great advances in pension legislation in this country occurred in 1950 when the Old Age Security pension was made payable to all at age 70 as of right, with the former means test being abolished. A benefit which is conferred on the basis of a means test takes on the character of charity and is an affront to the dignity of our working people.

If it is feasible and appropriate to grant a flat rate pension such as the old age security pension without a means test, it should be doubly so in the case of a contributory, earnings related pension, where the recipient is deemed to have purchased it with his lifetime contributions. In such a plan, all of the degrading aspects of charity should disappear.

It is, therefore, distressing to find that in at least two of the provisions of the Bill, the means test reappears, in one form or another. We refer to Section 68, which provides that a certain level of post retirement earnings may disqualify a person from receiving his pension, and to Section 62, where survivor's benefits are made dependent upon the marital status of the beneficiary.

It appears to us that where a pension is purchased by lifetime contributions, all need for such restrictions should disappear. The benefit should be deemed to have been bought and paid for, and therefore to be at the disposal of the beneficiary as freely as an insurance company annuity.

Delayed Benefit

We agree with those submissions which have stressed the fact that the full benefit of the plan is too far in the future. Perhaps a quarter of a century hence a point will be reached where all retired people will enjoy the level of security which is to be provided by the combined effort of the Old Age Security Act and the Canada Pension Plan. In the meantime, a hiatus will arise between the circumstances of persons retired on that basis, and the surviving pensioners retired on old age security pensions only, or on the partial benefits payable to those retiring between 1967 and 1976. Notwithstanding the projected cost of living adjustments, which are likely to be picayune, the flat $75.00 benefit is likely, in the context of income and pension standards of 1976, to represent an extremely penurious standard of living. Indeed, in 1965, it already represents, in the judgment of the Province of British Columbia, $25.00 per month less than a subsistence minimum.

There were, in 1961 (a) 904,000 Canadians over 70 years of age including (b) 227,000 who were over 80. With appropriate increase for the growth and aging of the population during the next decade, these figures will indicate (a) the number of people who in 1976 will be retired with less than the full benefit of the Plan, and (b) those who will still be limited to $75.00 per month, in contrast to the income and pension standards then prevailing.

Variable Results

Most discussion of the Canada Pension Plan has been in oversimplified terms based on the *maximum* level of benefits. Much discussion has taken place concerning the adequacy of a total pension of $179.00 per month, overlooking the fact that this combined total would be available only to those whose lifetime earnings have averaged $5,000.00—which is *not* the typical Canadian income.

Suppose we consider the (exceptionally high) 1958 earnings, as typical of salmon fishermen's average lifetime earnings.

We have already quoted this figure at $2,466. The resulting earnings-related pension would, therefore, be $616.50 per annum or $51.37 per month. Combined with the Old Age Security Pension this is only $126.37, even after the full scale of benefits becomes available in 1976.

It may be confidently predicted that there will be many more circumstances in which even the normal benefits, to say nothing of widow's benefits, and disability pensions, may be equally inadequate.

Minimum Pension

It would, we think, be entirely reasonable to propose that the full scale of benefits become payable in the first year of operation, instead of being gradually implemented over a ten year period. At all times during this century there will be in the plan some element of pensions for the elderly being paid for by the contributions of the young. We see nothing wrong with this, and fail to understand why in the implementation of the principle, the bill should discriminate between those reaching pension age before and after 1976.

However, another approach may perhaps be more effective in dealing with both of the problems raised above, namely the low pensions of those retiring prior to 1976 and the low pensions resulting from inadequate earnings. This approach is to establish a basic "floor" for all who qualify for pensions, irrespective of the year in which they retire. In our proposals to the fishing industry for an industrial pension plan, we have proposed a floor of $125.00 per month, and we think this would be a reasonable minimum for the Canada Pension Plan (including Old Age Security Pensions) as well.

Financing of Pensions

There is a spurious neatness of logic in the formula which relates contributions and benefits to earnings, dividing the contributions equally between employer and employee.

That approach also, however, poses some threats to the basic objections for providing a decent level of security for all. The increasing productivity of the country is not necessarily reflected in wage-earnings, and most certainly will be very unevenly reflected as between varying segments and strata of the population.

Automation, which will be the decisive factor in raising national income in the future, may produce spectacular incomes for some people, but will almost certainly produce disastrous consequences for others. One need only consider the situation in a one-industry community where production becomes automated, with the result that total production and income is at an all-time high, but the population is more or less permanently reduced to living on social welfare (e.g. some of the U.S. coal mining communities). Here we would have the means for supporting a high level of security, but an earnings-related pension would yield virtually none. Then, in the event that automation yields high production and little employment, pension plan revenues would, nevertheless, grow and the minimum pension provision which we have outlined

above would protect the working force from being automated out of their pensions as well as their jobs.

In conclusion, we wish again to thank the Committee for this opportunity to present our views, and to stress, once again, the urgency of placing fishermen on an equal footing with other employees for the purposes of the Plan.

All of which is respectfully submitted.

UNITED FISHERMEN & ALLIED WORKERS' UNION

H. Stavenes, President
H. Stevens, Secretary-Treasurer
J. H. Nichol, Business Agent

CORRIGENDA

(*See Issue No. 2*)

Page 125: 5th line from bottom: the word "or" following "of course" should be deleted. The phrase should read "at any time, of course, subject to a notice, of 10 years initially,"

Page 126: 5th and 6th lines from top: the word "considerable" should read "comparable"

Page 126: Long paragraph on lower part of page: there should be a period after "concerned" near the end of the 2nd line; and the new sentence should begin: "But some workers are under federal jurisdiction, and this certainly applies in the case of . . ."

In the 4th line of same paragraph "assets" should read "agencies". That is, it is "crown agencies and such other organizations".

In the 8th and 9th lines, "for" should be "after"; there is no "the" before "other provisions"; "met" should be "made"; and there is no comma after means. That is, the whole phrase should read "that agreement would cease to be operative after the two-years-plus notice period, and then other provisions would have to be made regarding workers under federal jurisdiction, whatever that means in respect of pensions".

(*See Issue No. 4*)

Page 202: last line on page: "1.009" should read "100.9"

Page 203: Delete line at top of page as it is the last line on previous page.

2nd line on page: "1.014" should read "101.4"

Long paragraph near top of page: in the second part of the first sentence, an essential "it is the same index" is omitted after "that is"; the "less" and "more" are reversed; "but" is missed out at the end of the 3rd line and wrongly inserted at the beginning of the sentence in the 4th line. The whole thing should read: "that is, it is the same index if the increase from one year to another is enough to be more than one per cent but less than two per cent. Any change. . ."

4th line from bottom of same paragraph: ".14" should read "1.4". Also, the phrase about the "further .5" is wrongly placed; it should be in the previous line. The whole thing should read: "if the consumer price index has gone up by .9 per cent compared with the previous year, then the following year it goes up by a further .5, then the pension index has to be adjusted in order to match the consumer price index. The total increase is 1.4, and this. . . ."

Pages 203 and 204: Paragraph at bottom of p. 203 and top of p. 204. In the 1st line, "because" should read "except that"; in the next line, "less" and "more" should be inverted; at the top of p. 204, "When" should read "While"; "been" should read "to be"; there should be no "full"; "be because it is" should be "become so as"; and "or" should be "to". The paragraph thus should read:

"Quite, but it is the same, except that in order to be the same it would have to be increased by more than one or less than two per cent, in the following year. While it has to be the same as in the relevant year, it can only become so as a reflection of the one per cent to two per cent variation."

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Page 205: Last paragraph, 9th line: Delete the word "set"; insert "comma" after "116.5"; there should be a "period" after "1952". The phrase should read: "namely 116.5, opposite the year 1952."

10th line: Delete the phrase "and call it one."

Page 206: 10th line from top of page: "for" should read "at". Phrase should thus read "Similarly, 1959 is set at two per cent...".

12th line from top of page: insert the word "for" after "pension index". Phrase should thus read "The pension index for 1960..."

5th line, 2nd paragraph: insert the word "for" after "determined", and a "comma" after the word "years". The phrase should thus read "determined for each of these years,"

Page 209: 3rd line from top of page: the word "higher" should read "lower". The phrase should thus read "year, then the pension index will be lower, as Mr. Knowles has pointed out."

Page 210: 2nd line, 2nd paragraph from bottom: the word "in" should be deleted. Phrase should read "earnings ceiling itself..."

Last line on page: "$4,842-$4,699" should read: $4,840 to $4,699"

Page 211: 2nd line from top of page: "enumerator" should read "numerator"

8th line from top of page: "Bill No. 375" should read "Bill No. C-75".

17th line from bottom of page: "earnings index" should read "earnings ceiling".

(*See Issue No. 5*)

Page 251: line 45: "contribution" should read "earnings". Phrase should read "If he had an earnings of more..."

Page 257: 3rd line, top of page: The phrase "at age 65" should be inserted after the word "pension". Sentence would thus read: "If an employee retires before the age of 65 he automatically goes on pension at age 65."

(*See Issue No. 9*)

Page 458: 8th line, top of page: This line reads "and that would be about .2 per cent." This should be changed to read "and that would be about .5 per cent for all three departments previously referred to or roughly .2 per cent for the Department of National Health and Welfare.

(*See Issue No. 11*)

Page 563: In the last line, the reference to the year "1964" should read "1966".

Page 575: The first line of Mr. Bryce's statement: the word "of" should be "or".

Page 578: In Mr. Bryce's statement in the second half of the page in the 2nd line the word "Canadian" should read "Canada".

In the 1st line of paragraph (a) the words "pension benefits" should be inserted after the word "superannuation".

Page 579: The following sentence was omitted from the beginning of the first complete paragraph—"This Committee also recommended and the Government has agreed that, if a former employee decided to go into other employment after the age of 65 in a way that would enhance his Canada Pension Plan benefits then this should not affect the adjustment formula which I described."

Page 582: 15th line from bottom of page: the 2nd word should read "none" rather than "not". Therefore, the statement by Mr. Bryce should read "No, none of the moneys that are there now. Some of the future contributions would be diverted."

Page 613: In footnote (b) the words commencing "after age 64: years of service" should have started a new line.

(*Meetings held during the adjournment of the House*)

MINUTES OF PROCEEDINGS

THURSDAY, February 4, 1965
(49)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 2:40 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Blois, Boucher, Croll, Denis, Fergusson, Lefrançois, McCutcheon, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh, (10).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Francis, Knowles, Laverdière, Lloyd, Macaluso, Munro, Prittie, (14).

In attendance: Dr. Joseph Willard, Deputy Minister of Welfare; Dr. Maurice Ollivier, Parliamentary Counsel; Messrs. D. Thorson, Assistant Deputy Minister of Justice: D. Sheppard, Assistant Deputy Minister of National Revenue; E. E. Clarke, Chief Actuary, Department of Insurance; D. Hart Clark, Director of Pensions and Social Insurance Division, Department of Finance.

The Joint Chairman opened the meeting.

On motion of Senator Denis, seconded by Mr. Prittie,

Resolved unanimously: That a letter of condolence be sent to Mr. J. P. Côté (*Longueuil*), a member of this Committee, for the loss of his mother.

On motion of Mr. Munro, seconded by Senator Stambaugh,

Resolved unanimously: That the names of Senator Donald Smith and of Mr. Gray be temporarily substituted for those of Senator Croll and Mr. Côté (*Longueuil*) on the Subcommittee on Agenda and Procedure.

On motion of Senator Croll, seconded by Mr. Francis,

Resolved unanimously: That the documents intituled "*Le régime des pensions du Canada*", and "*Laissons bien aller ce qui va bien, réparons simplement ce qui va mal*" both prepared by Mr. Latulippe, M.P., be filed with the Clerk of the Committee.

Then the Committee decided to sit "*in camera*" to hear Dr. Maurice Ollivier.

The Committee resumed its regular sitting.

On motion of Mr. Cashin, seconded by Senator Croll,

Resolved unanimously: That the name of Mr. Basford be substituted to that of Mr. Gray on the Subcommittee on Agenda and Procedure for this evening.

The Committee sat again "*in camera*".

At 4:30 o'clock p.m. the Committee adjourned to the call of the Chair.

FRIDAY, February 5, 1965
(50)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met at 8:20 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: The Honourable Senators Blois, Boucher, Denis, Fergusson, Lefrançois, McCutcheon, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh (9).

Representing the House of Commons: Mrs. Rideout and Mesrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Francis, Gray, Knowles, Laverdière, Lloyd, Macaluso and Munro (14).

The Joint Chairman opened the meeting.

On motion of Mr. Cashin, seconded by Mr. Gray,

Resolved unanimously,—that the following documents be printed as appendices to this Committee's Minutes of Proceedings and Evidence, namely:

(*a*) Answer to question raised by Mr. Basford on January 12, 1965. (*See appendix A-56*).

(*b*) Answers to questions raised by Senator Croll and Mr. Chatterton on January 14, 1965. (*See appendix A-57*).

(*c*) Answer to request of Mr. Francis on January 14, 1965, page 896 of Minutes of Proceedings and Evidence. (*See appendix A-58*).

(*d*) Old Age Survivors and Disability Pensions—Sweden. (*See appendix A-59*).

(*e*) Old Age and Disability Pensions—Finland. (*See appendix A-60*).

(*f*) Old Age Survivors and Disability Pensions—United States. (*See appendix A-61*).

(*g*) Old Age Survivors and Disability Pensions—West Germany. (*See appendix A-62*).

(*h*) Estimates of Additional Contributions under the Canada Pension Plan, if there were no Contributory Earnings Lower Limit. (*See appendix A-63*).

(*i*) Estimates of Additional Contributions under the Canada Pension Plan, if there were no Contributory Earnings Lower Limit. (*See appendix A-64*).

(*j*) Estimates Relating to Proportions of Retired Populations in receipt of Pensions and Average Amounts of Age Retirement Pensions under the Canada Pension Plan for Specimen Future Years. (*See appendix A-65*).

On motion of Mr. Lloyd, seconded by Senator McCutcheon,

Resolved unanimously,—That the corrections be made to the Evidence adduced during the previous sittings of this Committee, as set out by Mr. Osborne and appearing as "*Corrigenda*" in this issue.

Then the Joint Chairman reported that the Subcommittee felt it would be preferable to postpone this evening's meeting until Monday, February 8, 1965, when the Subcommittee will meet at 9:30 o'clock a.m. and the main Committee at 2:30 o'clock p.m.

At 8:50 o'clock p.m., the Committee adjourned until 2:30 o'clock p.m. on Monday, February 8, 1965.

Maxime Guitard,
Clerk of the Committee

NOTE: Appendix A-66 appearing at the back of this Issue consists of reproductions of written representations and/or briefs submitted by people who did not appear as witnesses before the Committee. (*Authority for the printing of this appendix was granted on Monday, February 8, 1965.*)

EVIDENCE

THURSDAY, February 4, 1965.

The CHAIRMAN (*Mr. Cameron*): I call the meeting to order. I understand that Senator Denis would like to make a motion in respect of the death of Mr. J. P. Côté's mother.

Hon. Mr. DENIS: I would like to move that a letter of condolence be sent to the family of Mr. Côté, one of the members of this committee.

Mr. PRITTIE: I second the motion.

The CHAIRMAN (*Mr. Cameron*): It has been moved by Senator Denis, seconded by Mr. Prittie, that a letter of condolence be sent to Mr. Côté. All those in favour?

Motion agreed to.

That also brings up another problem. The steering committee has no report to submit at this meeting. They will be meeting again today and probably tomorrow. Mr. Côté obviously cannot be present at those meetings. Senator Croll will not be available tomorrow and Saturday. He will be back here on Monday. If it is in order, I would like to have a motion that these two gentlemen be replaced during their temporary absence from the steering committee.

Mr. CHATTERTON: I move that Mr. Gray and Senator Smith (*Queens-Shelburne*) replace the two men mentioned, Mr. Chairman.

Hon. Mr. STAMBAUGH: I second that motion.

Motion agreed to.

The CHAIRMAN (*Mr. Cameron*): Well now, as far as I am concerned that is the end of the public part of the meeting.

Mr. PRITTIE: Does that indicate that you plan on a final meeting next week, Mr. Chairman?

The CHAIRMAN (*Mr. Cameron*): Probably, Mr. Prittie, but no one can predict what is going to happen next week; there is a probability that we will be meeting next week.

Mr. CHATTERTON: It depends on how well the government is co-operating.

Mr. KNOWLES: A form of social insurance.

Mr. MUNRO: Mr. Chairman, change that "probably" to possibly.

The CHAIRMAN (*Mr. Cameron*): Mr. Guitard has called to my attention the fact that a request has been made on behalf of Mr. Latulippe to have placed on the record of the proceedings of this committee a document which is called a resume of a speech that Mr. Latulippe made in the house on November 17, 1964, expressing certain views with regard to the Canada pension bill. Also a second document—two pages in French—which outlines what he feels would be a satisfactory alternative to the Canada pension plan. A request has been made by Mr. Latulippe's secretary that these documents be printed as a part of the record. I do not know if that is the usual procedure or not—it seems to me it is rather unusual—but I am calling it to the attention of the committee so they may issue their instructions.

Mr. CHATTERTON: Mr. Chairman, has this not been considered by the steering committee?

The CHAIRMAN (*Mr. Cameron*): I mentioned it in the steering committee but afterward I went to see the secretary to find out exactly what it was he wanted placed on the record and I have the two documents here in French. One is a resume of Mr. Latulippe's speech in French and the other is his alternative plan for the Canada pension plan.

Mr. BASFORD: This seems to be a rather unusual request for a member of a committee to make and not bother coming to the meetings—

Hon. Mr. CROLL: He is not a member.

Hon. Mr. DENIS: Are we going to reprint every speech made in the House of Commons?

Mr. BASFORD: There is a Creditiste member on the committee.

Mr. FRANCIS: I think Senator Denis has a very good point. I would think the fact that it is available in *Hansard* would be adequate.

The CHAIRMAN (*Mr. Cameron*): What is the wish of the committee?

Mr. LLOYD: Well, if he has an alternative proposal, I think that has some merit. The documents should be filed at least. If you are going to print the resume, if the other thing is not too long, I see no harm in doing both.

Hon. Mr. DENIS: You will be reprinting every speech made in the House of Commons.

Mr. FRANCIS: I think Senator Denis has a very good point. I wonder if the staff could review the speeches that have been made in the House of Commons.

Hon. Mr. CROLL: I move that it be made part of the library of this committeee.

The CHAIRMAN (*Mr. Cameron*): Moved by Senator Croll that these two documents be made part of the library of this committee. Is there a seconder for the motion?

Mr. FRANCIS: I would be happy to second that.

Motion agreed to.

The CHAIRMAN (*Mr. Cameron*): This will be included in the library of the committee. I imagine there will be one more meeting.

The meeting is now *in camera,* so that anyone who should not be here will please leave. I do not know of anybody here to whom this order applies.

FRIDAY, February 5, 1965.

The CHAIRMAN (*Mr. Cameron*): Mrs. Rideout and gentlemen, please come to order.

This meeting is *in camera.* If there are members of the press present please withdraw.

(*See note in Minutes of Proceedings of Monday Feb. 8 in this respect*)

I have first to lay on the table answers to questions asked by Mr. Basford on January 12, 1965, answers to questions raised by Senator Croll and Mr. Chatterton on January 14, 1965, answers to the requests by Mr. Lloyd Francis on January 14, 1965, with reference to page 896 of the minutes, relating to old age survivors' benefits and old age pensions in Great Britain and several other countries, and additional contributions under the Canada pension plan, and so on, and estimates relating to proportions of retired population and the average amount of retired pensions under the Canada pension plan for specimen future years.

Have I a motion to put these answers to questions in the minutes as an appendix to today's proceedings?

Mr. CASHIN: I so move, Mr. Chairman.

Mr. GRAY: I second the motion.

The CHAIRMAN (*Mr. Cameron*): It is moved by Mr. Cashin and seconded by Mr. Gray that the above mentioned answers to questions which have been raised be included into today's proceedings as an appendix.

Will all those in favour please signify. Opposed?

Motion agreed to.

I also have some corrections to the minutes of proceedings and the evidence of the joint parliamentary committee on the Canada pension plan. Is it moved that the changes be incorporated in this minute? Have I a motion that this correction be made in the minutes?

Hon. Mr. MCCUTCHEON: What are the changes?

The CHAIRMAN (*Mr. Cameron*): The changes have to do with errors in reporting.

Mr. LLOYD: I so move, Mr. Chairman.

Hon. Mr. MCCUTCHEON: I second the motion.

The CHAIRMAN (*Mr. Cameron*): It is moved and seconded that the document dealing with errors in reporting be attached to today's proceedings.

Is that agreed? Is anyone opposed?

Motion agreed to.

The steering committee has not been able to settle on the form of the report which they wish to submit to the main committee. A suggestion has been made that the steering committee meet on Monday at nine o'clock and that the main committee come back at 2.30 on Monday.

Mr. MUNRO: Mr. Chairman, I should point out at this stage something that was discussed at the meeting. Many of the people who are here now have been waiting since yesterday and have been waiting all day today; I am speaking of members who are not members of the steering committee. They have been waiting for a meeting of the whole committee.

It was decided at the penultimate meeting among all groups of the steering committee that the meeting should be held today. However, a suggestion has been advanced by, I think, the Conservative members that we should not meet tonight. They wish to have the meetings adjourned until Monday at 2.30, and they are agreeable to a meeting of the steering committee at 9.30 in the morning.

Of course, I am speaking for the Liberals in the main, but I would say that all parties would object to this course of procedure very much, especially those members who have waited for the last two days. However, it was agreed that this suggestion should be put to the committee of all members for their views.

Mr. CHATTERTON: I would like to make one correction. It was not a case of our not wishing to have a meeting tonight, but events were such that meetings this afternoon were cancelled and we felt there was insufficient time for us to conclude our meetings tonight. We felt it would be better for us to be given a chance to examine the proposals and to defer the meeting of the committee until Monday.

Mr. GRAY: Mr. Chairman, may I ask why there is no reference to a meeting tomorrow?

Hon. Mr. MCCUTCHEON: It just happens that the Conservative members will not be available tomorrow.

Mr. MACALUSO: Which of the Conservative members of this committee are members of the national executive of the Conservative party? I know Mr. Aiken is a member, but are there many others?

Mr. CHATTERTON: Yes.

Mr. KNOWLES: I would like to express the hope that we do not let any bitterness get into this discussion.

Mr. AIKEN: It is getting pretty close to it now.

Mr. KNOWLES: I would like to suggest that we avoid that. I am sure we are all aware why we are not able to continue this evening, and of course I appreciate the problems of those who have stayed over for the meeting tonight, but life is like this. The Conservatives have had their meeting today and they will have another tomorrow, and we could not hold our meeting until theirs was completed. However, let us appreciate the situation and understand it, and let us meet on Monday as has been suggested.

Mr. AIKEN: In addition to what has been said, the steering committee has had a substantial draft report submitted. The report is substantial and requires a good deal of consideration. Even had it been available earlier today or had we met earlier today, I think it would have taken the week end to bring about the drafting of amendments to this report which has now been put before us.

Mr. MUNRO: Mr. Chairman, may I comment on that?

Mr. Aiken is well aware that the steering committee met until approximately eleven o'clock last night. At that committee many items—and certainly the substantive items—of this report were agreed to as a compromise between all parties. Then the report had to be prepared; and it was prepared. He was well aware of that, but there was still no objection to meeting tonight. I would like to put that on record in view of the comments Mr. Aiken has just made.

Mr. CHATTERTON: May I follow up by saying that the report prepared last night was substantially different from the report received tonight; it was different in many respects.

We are mainly concerned with time to consider thoroughly the proposals made by the steering committee. I think this can best be accomplished by sitting on Monday.

Mr. MACALUSO: It was my understanding, Mr. Chairman—and perhaps I was wrong—that we would sit and meet this evening and complete this matter this evening. Apart from the difficulties which I mentioned, I certainly do not see why we should not sit this evening. I think we should sit this evening. It was the feeling of most of the members that we should sit this evening, and I for one am prepared to do so.

Mr. GRAY: I do not like to differ from my friend and colleague, Mr. Macaluso, but perhaps we are being unfair to the steering committee who have worked so hard today.

I would like to make this next point, and I am not saying this in any spirit of bitterness because I am prepared to stay tonight or to come back tomorrow, or to come back next week, and I hope my remark will not be taken in the wrong spirit. If we do resume on Monday, I hope it will not be taken, because of the internal meetings of our Conservative colleagues, that they have not had time to study the report.

Hon. Mr. MCCUTCHEON: I have anticipated that the meetings will be peremptory, to use the legal term, on Monday.

Mr. CHATTERTON: We are most concerned that time should be allowed to consider the proposals.

Mr. GRAY: I am not saying this in any sarcastic sense, but I would like to get back to the point that I know our Conservative colleagues have some very important meetings. However, I hope they will be able to take enough time from these meetings to give these documents the consideration they feel the documents must have.

Mr. AIKEN: Keep on; keep on. It may require all next week.

Mr. MACALUSO: That is just what I am getting at. Mr. Aiken is making these off the cuff remarks and—

Mr. AIKEN: I have seen meetings last a long time.

Mr. LLOYD: Did the steering committee recommend sitting tonight? Did you recommend this?

The CHAIRMAN (*Mr. Cameron*): Yes. We were going to meet at 9.30 for the steering committee and then at 2.30.

Mr. LLOYD: I think sometimes these events just happen and everyone will agree that events have happened with no intention whatsoever of interfering with completion of our work. This is just the way events have transpired. I was at home this afternoon and it took me an hour and a half to get to the house and it took me an hour to get back. I also have appointments back home next week, but I would not want to see such an important matter hurried through with the opposition feeling that they had not been given a fair opportunity to fairly state their position. I think they should be given every opportunity to do so, even if I, for example, have to cancel all appointments next week in Halifax.

Mr. CASHIN: But you have a safe riding.

Mr. LLOYD: I am quite satisfied if we co-operate that by Monday those who perhaps oppose the report or are divided on the report should be in an excellent position to precisely state their positions and take a stand on their positions at that time.

Mr. GRAY: I support Mr. Lloyd's remarks.

Mrs. RIDEOUT: Mr. Chairman, as a junior member perhaps I should not be the one to move this motion but because of my concern for the Canada pension plan I would like to move, in the interests of the Canada pension plan, with due concern for the honourable members who are busy this week end—and I appreciate their concern and the fact they have other things on their mind—that we do adjourn at this time until Monday at 9.30 a.m., when the steering committee will meet, and that the main committee meet in the afternoon, to consider the draft report of the Canada pension plan.

I wish that Senator McCutcheon would second my motion.

Hon. Mr. MCCUTCHEON: Mr. Chairman, nothing would give me greater pleasure.

The CHAIRMAN (*Mr. Cameron*): You have heard the motion.

Hon. Mr. MCCUTCHEON: That would make it 9.30 and 2.30 on Monday.

The CHAIRMAN (*Mr. Cameron*): That would be at 9.30 Monday morning and 2.30 on Monday afternoon.

Allow me to put the question. All those in favour please signify in the usual manner.

Mr. KNOWLES: It is unanimous.

The CHAIRMAN (*Mr. Cameron*): Is it unanimous?

Mr. LLOYD: Mr. Chairman, do we get a copy of the draft report?

The CHAIRMAN (*Mr. Cameron*): You will all get a copy of the draft report. I must tell you this is a private and confidential document and you are not to pass it out of your hands. This document is not to be shown to any one except

for discussion with a fellow member of the committee. It is absolutely confidential.

Hon. Mr. McCUTCHEON: And, it will not necessarily be the same report that the steering committee will submit to the main committee Monday afernoon.

Mr. MUNRO: Except perhaps for one or two clauses.

Hon. Mr. McCUTCHEON: I am going to leave before you tie me up any more.

Mr. MUNRO: When these copies of the draft report are handed out I would hope the members of the steering committee would refrain from taking them. There are only 24 or 25 copies and the members of the steering committee have the ones they received earlier.

The CHAIRMAN (*Mr. Cameron*): Is there any more business to come before the meeting?

Mr. KNOWLES: Should we not wish the Tories a good day at the meeting tomorrow, without explaining what we mean by "good"?

APPENDIX A56

Answer to Question Raised by
Mr. Basford on January 12, 1965

Question: During the presentation of the brief of the Canadian Life Insurance Officers Association Mr. J. W. Popkin, an economist with the Sun Life Assurance Company of Canada, compared recent increases in the cost of living indices of certain countries, in which there is automatic escalation of pensions, with increases in the cost of living index in Canada. Mr. Basford requested figures on increases in the cost of living indices in countries in which pension rates are not automatically escalated. (See Proceedings pages 667 to 670).

Answer: The January 1965 issue of "International Financial Statistics" prepared by the International Monetary Fund provides for each of 86 countries a series of wide-ranging economic indicators including information on changes in costs of living. The following data are taken from that publication and include the experience of "industrial" and "other high income" countries. The data are listed according to the size of the annual compound rate of increase in the cost of living index in each country during the period 1958 to 1963. The data indicate which countries have automatic escalation into their programs of old age income maintenance and those which have not.

Country	Annual Cost of Living Index (1958 = 100)					Approximate Annual Compound Rate of Change 1958 to 1963	Automatic Escalation
	1959	1960	1961	1962	1963		
South Africa	101	103	105	106	106	1.2	No
Canada	101	102	103	104	106	1.2	No
United States	101	102	103	105	106	1.2	No
Belgium	101	102	103	104	106	1.2	Yes
Australia	102	106	108	108	109	1.7	No
Greece	102	104	106	106	109	1.7	No
Netherlands	101	103	104	106	110	1.9	Yes
Ireland	100	100	103	108	110	1.9	No
Mexico	102	108	109	110	111	2.1	No
Portugal	102	104	106	109	111	2.1	No
New Zealand	104	105	106	110	111	2.1	No
West Germany	101	102	105	108	111	2.1	Yes
United Kingdom	101	101	104	109	112	2.3	No
Austria	101	103	106	112	115	2.8	No
Sweden	101	105	107	112	115	2.8	Yes
Finland	102	105	107	111	117	3.2	Yes
Italy	100	102	104	109	117	3.2	No
Denmark	102	103	106	114	121	3.9	Yes
France	106	110	114	119	125	4.7	Yes
Japan	101	105	111	118	127	4.9	No
Spain	107	110	111	116	128	5.1	No
Israel	101	104	111	121	129	5.2	Yes
Iceland	102	104	109	120	136	6.4	No
Yugoslavia	101	112	121	133	140	7.0	No
Turkey	127	133	137	143	153	8.9	No

APPENDIX A57

Answers to Questions Raised by Senator Croll and Mr. Chatterton on January 14, 1965

1. *Question:* Senator Croll asked for the number of people in Canada who are contributing to a pension, that is, the number for whom a pension will be provided (page 896).

Answer: In 1960 the Dominion Bureau of Statistics conducted a special survey of pension plans and found that 1,815,000 employees were members of pension plans at that time. Another 285,000 employees might have been members of those plans but had elected not to join. Another group, 191,000 employees, were permanently ineligible to join. There were 383,000 employees temporarily ineligible to join the plans. This information is taken from the DBS document entitled "Pension Plans, Non-financial Statistics, 1960".

Each year the Dominion Bureau of Statistics makes a survey of trusteed pension plans in Canada. The latest such document is entitled "Trusteed Pension Plans, Financial Statistics, 1963". In this document there is a table which has been provided "to provide a background for assessing the importance of trusteed pension plans" and provides "some limited data" on the operations of insurance companies and of government annuities plans. Table B in this document sets out the number of pension plans and the number of employees for trusteed pension plans, life insurance group annuities in Canada and federal government group annuities. It is interesting however that the figures for these three types of plans are not totalled. We have been informed that the reason they have not been totalled is that there is some double counting involved both in the number of plans and in the number of employees. Subject to this reservation the number of employees covered by these three types of plans are as follows:

Trusteed Pension Plan	1,261,382
Life Insurance Group Annuities in Canada	560,539
Federal Government Group Annuities	155,586

The Bureau of Statistics estimates that, in addition to the above data, approximately 344,000 persons were in the pension plans for the armed services, the federal public service and the R.C.M.P. Data for 1963 on the coverage of provincial public servants were not available.

2. *Question:* Senator Croll asked for information on the number of persons age 70 and over who have pensions and on the extent of their pensions. (p.895)

Answer: The attached table sets out for persons aged 65-69, and age 70 and over data on their income from occupational pension plans. The data relate to the non-farm and non-institutional population.

3. *Question:* Mr. Chatterton requested that the accuracy of Chart I in the Life Insurance Officers brief be confirmed. (page 896)

Answer: During their appearance before the Committee the Life Insurance Officers were asked a number of questions concerning Chart I. Mr. Dimock of that Association later sent a letter, dated January 18, to the Committee and this letter appears as Appendix A23, pages 1409 to 1411.

The following observations can be made on Chart I.

(1) The per capita gross national product figures used by the Life Insurance Officers in Chart I were 1964 data for both United States and Canada.

INCOME OF PERSONS IN NON-FARM AND NON-INSTITUTIONAL POPULATION REPORTING INCOME[*] AND PENSION INCOME[†], 1961 CENSUS, POPULATION SAMPLE, BY SEX AND AGE GROUPS

	Males		Females		Males and Females	
	65–69	70 and over	65—69	70 and over	65–69	70 and over
Persons reporting Income[*]	184,530	345,394	138,724	376,360	323,254	721,754
Per cent of Population	95.3	99.5	65.8	98.4	79.9	98.9
Persons reporting Pension Income[†]	46,391	82,170	12,947	20,308	59,338	102,478
Per cent of all reporting income	25.1	23.8	9.3	5.4	18.4	14.2
Per cent of Population	24.0	23.7	6.1	5.3	14.7	14.0
Average Pension Income[†] per Person Reporting Pension Income	$ 1,534	$ 1,129	$ 992	$ 822	$ 1,416	$ 1,068
Total Population (Non-Farm and Non-Institutional)	193,683	347,071	210,747	382,589	404,430	729,660

[*] Income from any source.
[†] Pension income comprises income from occupational pension plans.
SOURCE: Derived from preliminary unpublished data from the Dominion Bureau of Statistics.

Research and Statistics Division,
Department of National Health and Welfare,
February 1965

(2) The rates of benefit used for the American program are those which were proposed in Congress in 1964 and are a little lower than the benefits proposed in the 1965 administration bill now before Congress. The comparisons are as follows:

	Chart I	1965 Bill
Single Person	$	$
Minimum	42.00	42.80
Maximum	143.40	149.80
Married Couple		
Minimum	63.00	64.20
Maximum	215.10	224.70

The minimum rate would be effective at once, the maximum not for some years in the future.

(3) The figure used for the Canadian minimum for a single person at age 65 is $51. This amount will first be payable in 1970. The maximum figure used for the Canadian at age 65 is $155 which is composed of the $51 old age security pension, and the $104 maximum Canada Pension Plan benefit, which will first be payable in 1976. Corresponding values are used for married couples.

(4) The figures used in Chart I thus include American benefit figures based upon 1964 proposed legislation with certain benefits not in pay for some years, proposed Canadian legislation with certain benefits coming into pay first in 1970 and others in 1976, in each case expressed as a percentage of gross national product figures for the year 1964.

(5) Part of Chart I refers to each spouse in a married couple. One bar applies to the benefit for each spouse of a married couple in Canada when the benefit is taken at age 65. Another bar applies to a benefit taken at age 70.

The footnote to the Chart states that it is assumed that, in the case of a Canadian couple, both took old age security at the same age. The Life Officers were asked questions on this point and their answers appear in the letter of Mr. Dimock to the Committee. On page 1411 of the Evidence, in answer to question 7, Mr. Dimock states that the Association was aware that the average

age of wives is generally two or three years younger than the average age of husbands. On page 1038 of the Evidence, Mr. Anderson stated that "for husbands age 65 to 69 their wives are between 5.4 and 5.6 years younger on the average."

The minimum benefit for a married couple in Canada at age 65 was taken by the Life Insurance Officers to be $102, that is, $51 to each spouse. On page 1411, Mr. Dimock's answer to the following question "Has it been assumed that the husband and wife are the same age in Canada?" was:

> As the footnote to the Chart states, it is assumed that in the case of the Canadian couple both husband and wife took the old age security benefit at the same age: this does not necessarily mean that they were born in the same year.

What Mr. Dimock seems to be saying is that if a husband reaches age 65 when his wife is, for example, age 62, the husband will receive a benefit of $51 a month. Three years later, when his wife reaches age 65 she will receive a benefit of $51 a month. This is of course correct.

What the Chart does not indicate, however, is that, for the years in which the man was age 65, 66 and 67, the couple was getting only $51 a month. This is a most important point because, in the United States a benefit would be available for the wife at age 62 in that country and for those three years both spouses would be getting a benefit.

Similarly, the bar "Taken at 70" applies to the first year in which both husband and wife are that age or over. It might have been assumed that the average couple, in which the wife is younger than the husband, would claim old age security at the same time. If the husband applies at age 70, it is doubtful that his wife will wait until she reaches 70 to claim her pension when old age security is available to her as early as age 65 at a lower rate.

The attached table sets out for the years 1966, 1971, and 1976, a comparison of the benefits payable to single people and to married couples under the United States and Canada programs. The data are shown for certain wage levels.

MONTHLY BENEFITS UNDER CANADA PENSION PLAN AND OLD AGE SECURITY COMPARED WITH BENEFITS AVAILABLE IN THE UNITED STATES UNDER OASDI, 1966, 1971, AND 1976

Average Monthly Earnings of Male		Wife three years younger than male									
		United States Benefits				Canadian Benefits					
						OAS plus CPP Benefits					
		Male age at start of pension				Male Age at Start of Pension					
		65	66	67	68	65	66	67	68	69	70
		FIRST YEAR—1966									
	$	$	$	$	$	$	$	$	$	$	$
Single	300	113	113	113	113	—	—	—	—	70	75
	350	124	124	124	124	—	—	—	—	70	75
	400	136	136	136	136	—	—	—	—	70	75
Married	300	155	160	164	169	—	—	—	—	70	75
	350	171	176	181	186	—	—	—	—	70	75
	400	187	192	198	204	—	—	—	—	70	75
		SIXTH YEAR—1971									
Single	300	113	113	113	113	88	93	98	103	108	112
	350	124	124	124	124	95	100	104	109	114	119
	400	136	136	136	136	101	106	111	115	120	125
Married	300	155	160	164	169	88	93	98	154	164	173
	350	171	176	181	186	95	100	104	160	170	179
	400	187	192	198	204	101	106	111	166	176	186
		ELEVENTH YEAR—1976									
Single	300	113	113	113	113	126	131	136	140	145	150
	350	124	124	124	124	138	143	148	153	158	162
	400	136	136	136	136	151	156	161	165	170	175
Married	300	155	160	164	169	126	131	136	191	201	211
	350	171	176	181	186	138	143	148	204	214	223
	400	187	192	198	204	151	156	161	216	226	236

The above comparisons were made on the following basis:

(1) The benefits shown for the United States program are based upon the Bill introduced in Congress by the Administration in January 1965.

(2) As the 1961 Canadian Census indicated that the wife of a man in the 65–69 age group is on the average at least three years younger than her spouse, a differential of three years is used. Mr. Myers said on page 1039 of the evidence that the differential for men age 65 was, in the United States, three years.

(3) It is assumed that the wife will claim her benefit at the same time as her husband, if it is available.

(4) Old age security pension in Canada not escalated by Pension Index.

Research and Statistics Division,
February 1965.

APPENDIX A58

Answer to request of Mr. Francis, M.P. on January 14, 1965 (Page 896 of Minutes of Proceedings and Evidence).

OLD AGE, SURVIVORS AND DISABILITY PENSIONS—GREAT BRITAIN

In Great Britain there are two main programs of income maintenance for the aged. Pensions are provided to retired or disabled contributors, their dependents and survivors under a social insurance scheme known as National Insurance. Also, any resident who requires financial assistance may apply to the National Assistance Board for aid. Certain aged persons continue to receive pensions under a third scheme, non-contributory old-age pensions, the role of which is steadily declining.

I—National Insurance

Coverage and Types of Benefits

Coverage under National Insurance is compulsory for most residents over age 18 with the insured population being divided into three classes of contributors: employed persons, self-employed persons, and non-employed persons. Coverage is optional for self-employed and non-employed persons whose annual earnings are not more than £208 and for married women.

The program provides flat-rate benefits during sickness, unemployment, maternity, widowhood and retirement from regular work. It also provides guardian's allowances, special child's allowances, and death grants. Employed persons are eligible for all of these benefits, self-employed persons are eligible for all except the unemployment benefit, and the non-employed are eligible for all except the sickness and unemployment benefits and maternity allowances.

Graduated retirement pensions are available to employees age 18 or over who earn more than £9 a week as an addition to their flat rate retirement benefits. Employed persons who earn less than that amount, the self-employed and the non-employed are not eligible for the graduated retirement pension.

Contracting Out

The National Insurance legislation provides that those private concerns whose pension arrangements provide at least "equivalent pensions" are allowed to contract their employees out of the graduated provisions of the scheme.

Retirement Pensions

Flat Rate Pension. To be entitled to a retirement pension under the National Insurance scheme a contributor must have reached age 65 if male or 60 if female, and have retired from regular work.

To qualify for a flat-rate retirement pension of £3.7s.6d. a week the claimant must have paid 156 flat-rate weekly contributions between his date of entry into insurance and the date at which he reaches age 65 (age 60 in the case of a woman). The pension is payable at the full rate if the contributor has paid a yearly average of at least 50 flat-rate weekly contributions. If he averaged less than 50 but at least 13 weekly contributions, a reduced flat-rate pension is payable, the rate depending upon the number of his average contributions. The yearly average is calculated over contribution years from 1936, or from the contribution year in which insurance was entered, if later, up to and including the last complete contribution year before the man reaches age 65 or the woman age 60.

For insured persons who continue to work regularly after reaching retirement age and defer their pension the flat-rate pension is increased by the amount of 1s. a week for each twelve weeks of contributions made.

Graduated Pension. The amount of the graduated pension depends on the total amount of graduated contributions which have been paid. The graduated pension is 6d., a week for each £7 10s. of graduated contributions paid by a man or every £9 of graduated contributions paid by a woman. Those who continue to make graduated contributions after reaching normal retirement age can of course obtain a greater graduated pension.

Retirement Test. The retirement test applies to men under 70 and women under 65 and involves the amount they earn by way of wages, salaries, fees or other payments on account of any gainful occupation after retirement. Earnings of up to £5 in a week do not affect the pension, but 6d. is deducted from the pension for every 1s. of earnings between £5 and £6 a week, and 1s. for every 1s. of weekly earnings over £6. The test applies to both the flat-rate and graduated parts of the retirement pension.

Dependent's Supplement. A dependent's supplement can be added to the flat-rate, but not to the graduated, component of the retirement pension. For a non-insured wife, the pension is equal to £2 1s.6d. weekly provided she is living with the insured person and has weekly earnings not in excess of that amount. The supplement is not normally granted if the wife is entitled to a retirement pension in her own right, or is entitled to any other national insurance or industrial injury benefit, or war pension. The wife's benefit is reduced in all cases where the husband receives a reduced flat-rate benefit. Supplements for dependent children amount to £1 for the first child and 12s. for each other child. The children must be under age 15 if not in school, under 19 if in school, or under 16 if disabled.

Widow's Benefits

Eligibility for widow's benefit depends upon the husband's contribution record. There are two contribution conditions: first, the husband must normally have paid at least 156 contributions and secondly, he must have paid a yearly average of 50 contributions. With regard to the second consideration, if the husband's average is below 50 but not less than 13, the benefit is paid at a reduced rate.

In case of widowhood, a flat-rate widow's allowance is payable to any widow of a qualified contributor for the first 13 weeks of widowhood at the rate of £4 15s. a week, plus £1 17s.6d. for the first dependent child, £1 9s.6d. for the second and £1 7s.6d. for each other child.

A widow's pension is paid at the rate of £3 7s.6d. a week immediately after the end of the first 13 weeks of widowhood provided the widow was over age 50 and had been married for at least three years when her husband died.

For the widowed mother with a dependent child in her care, the widowed mother's allowance is payable at a standard rate of £3 7s.6d. a week, plus additions for dependent children at the same rates as those paid with widows allowances.

The widow's allowance, the widow's pension and the widowed mother's allowance are paid to those classes of widows who cannot reasonably be expected, because of age or family responsibilities, to support themselves by their earnings. If a widow does take up work to a considerable extent, her benefit may be reduced or withdrawn. The test of income for the widow's benefits is the same as for the retirement pension.

A widow who is over age 60 when widowed is normally paid the flat-rate retirement pension in lieu of her widow's pension. She can also claim a graduated retirement pension, equal to one-half of the graduated pension which her

husband was receiving, or had earned, to the date of his death. She can also receive any graduated pension which she may have earned through her own contributions.

Guardian's Allowance

For a child who has lost both parents a guardian's allowance is payable at a rate of £1 17s.6d. a week. The allowance is paid to the person in whose family the child is included.

Death Grant

A further National Insurance benefit is the death or funeral grant payable on the death of an insured person or the wife, husband, or child of an insured person, provided that 26 weekly contributions have been paid or credited since the National Insurance scheme began. Also, at least 45 weekly contributions must have been paid or credited in the last complete contribution year before retirement or death of the insured or there must have been an average of 45 weekly contributions paid or credited over the years since the scheme began. In 1964 the rate of the death or funeral grant is £25 when an adult dies and a smaller sum when a child dies.

Sickness Benefit

The flat rate sickness benefit is paid during incapacity for work provided the claimant has paid at least 26 weekly contributions as an employee or self-employed person and has paid or been credited with at least 26 weekly contributions in the previous contribution year. Benefits are not generally payable for the first three days of sickness. The benefit is payable for at least 312 days of sickness in a year not counting Sundays.

Where at least 156 weekly contributions have been paid, the benefit can continue for an unlimited period as long as sickness lasts, up to the time the beneficiary attains pensionable age. The maximum sickness benefit is paid at the same rate as the flat-rate retirement pension which, during 1964, is £3 7s. 6d a week.

Where the contributor has paid less than 50 contributions during the contribution year, but has paid at least 26 contributions the sickness benefit is payable at a reduced rate.

Unemployment Benefit

Under the National Insurance program unemployment benefits are paid for two or more days of unemployment unless a person is receiving wages or has lost his employment because of a stoppage of work due to a trade dispute at his place of employment. The benefit is payable provided the claimant is available for work and has paid at least 26 weekly contributions at the employed person's rate, and paid or been credited with at least 26 weekly contributions in the previous contribution year. Unemployment benefits may normally be drawn for up to 180 working days, not counting Sundays. However, they can be continued for a further number of days up to a maximum of 492 days depending on the person's record of contributions paid as against benefit drawn. Rates of unemployment benefit are the same as for the sickness benefit.

Maternity Benefits

The National Insurance program provides three kinds of maternity benefits: a maternity grant, a home confinement grant, and a maternity allowance. A maternity grant of £16 is payable for each confinement provided either the mother or her husband satisfies the contribution condition and a further £16 is paid for each additional child, born at the same confinement, who is alive 12 hours after birth.

A home confinement grant of £6 is payable for a confinement at home or elsewhere, which is not provided for out of public funds.

A maternity allowance is payable at the standard weekly rate of £3 17s. 6d. to women who are normally working as either employees or self-employed persons and who are paying their own National Insurance contributions. The maternity allowance begins 11 weeks before the expected week of confinement and ends with the sixth week following it.

Financing

Funds for the National Insurance program are derived from contributions by insured persons, employers, and the government. In 1964 employee weekly contributions to the flat-rate part of the program are 8s. 3½d. for men and 7s. 2½d. for women. Contributions by employees to the graduated part of the scheme are 4¼ per cent of weekly wages between £9 and £18. For employees who are contracted out of the graduated pensions contribution rates to the National Insurance program are 10s. 8½d. weekly in the case of men or 8s. 8½d. in the case of women. The rates of employer contributions are equal to those of their employeees.

For self-employed persons the total contribution rate is 13s.4d. weekly for men, and 11s. weekly for women. For non-employed persons, contributions are 10s.2d. weekly in the case of male contributors, or 7s.10d. weekly for women. The government contributes an amount equal to one-quarter of the flat rate contribution of employees and employers plus an amount equal to one-third of the contributions of self-employed and non-employed persons. National Insurance administration costs are met from the National Insurance Fund.

Administration

The National Insurance program in Great Britain is administered by the Ministry of Pensions and National Insurance and by the Ministry of Labour and National Insurance in Northern Ireland. The two ministries maintain networks of local offices where the citizen can send his claim or make an inquiry. The Ministry of Pensions and National Insurance has over 900 offices in Great Britain and the Ministry of Labour and National Insurance more than 28 in Northern Ireland.

II—National Assistance

In addition to the National Insurance scheme the United Kingdom has a National Assistance scheme. The purpose of national assistance is to provide income maintenance to any resident whose resources do not meet his requirements. The term "requirements" includes the need to provide for a wife and/or any children under 16 living with the claimant. The program is financed by the State and is designed to give assistance to those who are not eligible for social insurance benefits as well as to those whose resources, including their social insurance benefits, do not come up to the minimum set by the assistance program.

The National Assistance scheme, which has no contribution conditions and requires no qualification except financial hardship, provides assistance in amounts which bring a needy person's income up to the minimum weekly income needed to meet requirements as laid down in the National Assistance Act regulations. In 1963 the plan provided for a minimum income of £5 4s.6d. for a husband and wife, £3 3s.6d. for a single person who is a householder and £2 15s. for anyone over 21 not a householder. Higher minimum incomes are established for the blind and for people who have suffered a loss of income to

undergo treament for respiratory tuberculosis. A person's requirements for rent and for the cost of repairs and mortgage interest for owner-occupied property are considered separately.

The National Assistance scheme is administered by the National Assistance Board which has a network of local offices. The Board consists of a chairman, a deputy chairman, and not less than one nor more than four other members; at least one of them must be a woman. All are appointed by the Queen on the advice of the Prime Minister, and they have the independence arising from the fact that they cannot in general be removed from office during their terms of appointment. When the affairs of the Board come under discussion in Parliament the Minister who speaks for the Board is the Minister of Pensions and National Insurance.

The National Assistance Board in Great Britain has about 430 offices and that in Northern Ireland has 17. Most of the work involved in social security claims is done in these local offices, in particular the settlement of claims to national assistance allowances.

III—Non-Contributory Pensions

Men and women over the normal retirement age on July 5, 1948, when the National Insurance program began, were not able to take part in the main scheme of National Insurance. Consequently, they cannot receive any of the benefits of the main scheme. For these people non-contributory pensions are payable under the Old Age Pensions Act. These pensions are administered by the National Assistance Board. Non-contributory old age pensions are payable to persons who satisfy certain conditions as to age, nationality, residence and limited means. No new non-contributory pensions have been granted to persons, other than blind persons reaching the age of seventy after 30th September, 1961, by which date everyone has had time to pay enough contributions into the National Insurance Scheme to qualify for a retirement pension. The maximum rate of pension in 1963 was 28s.4d. a week for a man or an unmarried woman or widow and 18s.4d. for a married woman.

Non-contributory old age pensions are administered by the National Assistance Board through local offices.

Sources: United States, D.H.E.W., *Social Security Programs Throughout the World, 1964*, Washington, 1964.

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APPENDIX A59

OLD AGE, SURVIVORS AND DISABILITY PENSIONS—SWEDEN

Sweden has two pension systems, each providing for old age, disability, and survivors pensions. A universal scheme of "basic" pensions provides every Swedish citizen with a flat-rate pension at age 67. There are no other conditions. Flat-rate disability and survivors pensions are also available. This scheme is complemented by a social insurance program of earnings-related "supplemental" pensions which provides old age, survivors and disability pensions over and above those payable under the basic pension system.

I—Basic Scheme

Old Age Pensions

Basic flat-rate old-age pensions are payable at the age of 67 to all Swedes resident in the country. In 1964 the pension rate is 3,775 crowns a year. Pensions are available as early as age 63 in which case the basic pension is reduced by 0.6 per cent for each month by which the pensioner is under age 67 when he first makes his claim. For those who defer their basic pension beyond age 67, an increment in the basic pension of 0.6 per cent per month is provided. The pension can be deferred until age 70.

Disability Pensions

Disability is defined as a medically ascertained defect, mental retardation, or a physical or other handicap which causes a permanent reduction in working capacity. To qualify for the basic disability pension, it is not necessary for the applicant to have earned an income. The pension is payable between age 16, when children's allowances are discontinued, and age 67 when the basic old age pension becomes payable.

People who have lost 5/6 or more of their earnings capacity receive a full disability pension equal to the basic old age pension of 3,775 crowns a year. For those who suffer a loss of earnings capacity of between 67 and 83 per cent, a disability pension equal to 2/3 of a maximum disability pension is payable. An eligible disabled person who has suffered between 50 and 66 per cent loss of earnings capacity may claim a disability pension equal to one-third of a full disability pension.

Wife's Supplements

An old-age or invalidity pension may be increased by 2,125 crowns if the pensioner has a wife age 67 or more, or a wife who is an invalid. A wife's supplement is also available where the wife is at least age 60 and has been married to the pensioner for five years or more. However, where the wife is below age 67 the wife's supplement is normally subject to a means test. In special circumstances, the supplement can be paid even if the wife is younger than 60 and the marriage has lasted for a shorter period.

Child's Supplements

Recipients of old age and disability pensions may claim a child's supplement in the amount of 25 per cent of the current "base amount" for each child under age 16. Where a reduced disability pension is payable, the children's supplements are reduced in proportion.

Special Supplements

Flat-rate supplements (1200 crowns in 1963) are added to the pensions of the blind, of disabled persons in considerable need of personal care, and of gainfully-occupied invalids drawing reduced pensions who require personal assistance or special aid.

Housing Supplements

Housing supplements of up to 2,100 crowns a year are available under an income test to old age disability pensioners. These housing supplements are granted by most Swedish municipalities with each municipality establishing the rules governing its own program. The cost of these supplements is met by the municipality which receives subsidies from the central government.

Widow's Pensions

Widow's pensions are payable to women who are at least age 36 at the time of their husband's death and who have been married for at least five years. Widow's pensions are also payable to widows of any age who have dependent children in their care.

A full widow's pension, equal in magnitude to an old age pension is payable to a widow with dependent children or to a widow who is age 50 at her husband's death. For a widow between age 36 and 49 who is not supporting a child the full pension is reduced by 1/15 for every year by which the widow's age at her husband's death was below 50 years.

Where a young widow was in receipt of a widow's pension because she was caring for dependent children, and those dependent children cease to be dependent, the widow's claim is re-examined and her pension re-computed according to the fictitious assumption that the husband lived and the marriage continued until the date on which the youngest child reached age 17.

Orphan's Pensions

For children who are Swedish citizens permanently residing in Sweden, and who have lost one or both parents, flat-rate pensions are available. In 1964 the annual rate of pension for a half-orphan was 1,200 crowns, for a full-orphan 1,680 crowns.

Cost of Living Increments

All the flat-rate benefits except the orphan's benefit are increased from time to time by cost living increments based upon increases in the Consumer Price Index.

Financing

To finance the basic pension program, every Swedish citizen age 18 to 65 (except those whose income is below a given minimum) pays a special pension tax of 4 per cent on assessed income. The maximum tax in 1964 is 600 crowns. Revenue from this tax meets about one-third of the cost of the scheme. The National Government meets about half the cost from general taxation, and local governments pay the remaining one-sixth. There are no employer contributions to the basic pension program.

II—Supplemental Pensions

In addition to the basic pension program the Swedish government has introduced a supplemental pension program of earnings-related benefits. The Supplementary Pension Act came into effect on January 1, 1960 with benefits first payable in 1963. The legislation provides for old age, disability, and survivors' pensions.

Concepts Defined

Throughout the legislation reference is made to certain "basic" and "maximum" amounts. The basic amount was fixed in 1961 at 4,000 crowns. The maximum amount is always equal to 7.5 times the minimum amount. These amounts are adjusted annually depending on price changes and, in 1964 they stood at 4,700 and 35,250 crowns a year respectively. These limits are important with regard to the supplemental pension scheme under which coverage is extended only to those people whose earnings are in excess of the basic amount and contributions are based on earnings falling within the two amounts. In general, basic old-age pensions may be said to be related to earnings of less than the basic amount while supplemental old-age pensions are based directly on earnings in excess of the basic amount.

Coverage

The supplemental pension scheme covers compulsorily all Swedish citizens age 16 and over who are employees or are self-employed. However, persons who earn less than the basic amount, 4,700 crowns in 1964, are not covered for that year. Self-employed persons, and employee groups with pre-1961 collective contracts providing equivalent pensions, may elect not to be covered.

Old Age Pensions

Supplemental old-age pensions become payable when the qualified beneficiary reaches age 67, whether or not he has retired. Reduced pensions are available as early as age 63 and increased pensions may be claimed between ages 67 and 70. The rate of reduction or increment is 0.6 per cent a month.

Supplemental old age pensions are related to a person's earnings record through a "pension point" system. A person's earnings are based on his personal income tax return for that year. An employee or a self-employed worker is credited with a pension point for each year in which he has earnings from gainful employment in excess of the current base amount. Earnings in excess of the year's maximum limit do not earn pension credits. The pension point in a given year is computed as follows. The annual earnings (up to the maximum for that year) less the minimum for that year are divided by the minimum for that year. The point may vary between 0.02 and 6.50 and 6.50 For example, if, in a given year, minimum contributory earnings were 4,000 crowns, the maximum 30,000 crowns, and a person earned, according to his income tax return, 30,000 or more crowns, he would accumulate $\frac{30{,}000-4{,}000}{4{,}000}$ or 6.50 points. If he earned 7,500 crowns he would accumulate 0.875 points.

To qualify for a supplemental old-age pension a Swedish citizen must have been credited with pension points for at least three years. An alien must have a record of ten years of pension-earning income. To qualify for a "full" pension rather than a partial one, a claimant must normally have been credited with pension points in at least 30 years. For the first decades of the new system, however, the 30-year requirement is replaced by one of 20 years, and during the third decade the qualifying period will rise gradually from 20 to 30 years.

The supplemental pension formula takes into account the earnings record, i.e., the number of pension points earned each year, and the number of years of contributions under the scheme, and applies these to the basic amount applicable at the time of the applicant's claim. The formula provides for the dropout of years of low or nil earnings in that pension points are averaged only for a maximum of 15 years.

Supplemental old-age pensions are calculated as follows. The number of years of pension-earning income is divided by 30 (after 1990). The result,

which can never exceed one, is multiplied by the average number of pension points acquired during the claimant's best 15 years (the average is computed for the whole period when the period is 15 years or less). The resulting number of points is multiplied by 60 per cent of the then current minimum and the result is the pension rate. If the minimum in a year were 4,800 crowns, a man with 25 years of contributions at least 15 years of them at the maximum contributory level would receive 25/30 × 6.5 × 2,880 or 15,600 crowns.

Disability Pension

To qualify for a supplemental disability pension an insured person must have earned pension points either during at least one year and, at the time that he became incapacitated, have been earning an income exceeding 1,800 crowns a year, or during at least three of the four years immediately preceding incapacitation. A full disability pension is equal to the supplemental old age pension which the insured would have received at the age of 67 if he had continued acquiring pension points until age 65 at his average rate. In calculating the average pension points years of lowest or no earnings, up to half the insured's total, are not taken into account. This provision has great practical significance for the disabled.

For those persons who suffer a loss of earning capacity between 67 and 83 per cent, the rate of the supplemental disability pension is equal to two-thirds of the maximum disability pension. Disabled persons who have suffered between 50 and 66 per cent loss of earnings capacity may claim a supplemental disability pension equal to one-third of a full pension.

Survivors Pensions

A supplemental widow's benefit is payable to the widow of a deceased worker or pensioner, if she had been married to her deceased husband for at least 5 years and if the marriage had occurred before her husband reached age 60. Widows pensions are paid to a widow at age 65 or, if she is an invalid, as early as age 60. The rights to these widow's benefits cease on remarriage. Benefits are also payable to widows with dependent children. Benefits are payable to those half orphans and full orphans, under age 19, of parents covered by the supplemental pension system.

Any one survivor, whether a widow or child, receives 40 per cent of the old-age or invalidity pension that the deceased person had been receiving or of the pension to which he would have been entitled if he had become totally disabled at the time of his death. Two survivors receive together 50 per cent of the deceased's pension, the widow 35 per cent and the child 15 per cent. If both survivors are children, each child receives 25 per cent. Each additional child receives 10 per cent of the pension until the total payable to five or more dependents, reaches 80 per cent of the deceased person's pension.

Source of Funds

Supplemental pensions are financed by a payroll tax on employers and the self-employed. Employers pay a contribution with respect to that part of the annual wage of each of their covered employees, which exceeds the basic amount but is less than the maximum of 35,250 crowns. The contribution rate schedule for employers is set, by separate legislation, for five year periods. The 1960 rate was set at 3 per cent of "taxable" wages, rising by 1 per cent each year to 7 per cent by 1964, and by 0.5 per cent a year to 9.5 per cent in 1969.

Self-employed persons also pay contributions on income between 4,700 and 35,250 crowns per year. However, earnings in excess of a certain fixed amount (the limit varies with price changes and was originally 8,000 crowns) are reduced by one-third for purposes of computing the contributions of self-employed persons.

Sources: Association of Swedish Insurance Companies, *Sweden—Its Private Insurance and Social Security*, Stockholm, 1963.

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APPENDIX A60

OLD AGE AND DISABILITY PENSIONS—FINLAND

In Finland, old age and disability pensions are provided under a combined universal pension and assistance scheme, and an employer liability system. In addition there are special schemes for seasonal, maritime and public employees. The administration of the combined universal pension and assistance program is the responsibility of the National Pension Institute. Supervision of the employer liability system, including transfer of rights among private plans, is exercised by the Central Pension Insurance Institution. Overall supervision of pension programs in Finland is the responsibility of the Ministry of Social Affairs.

National Pensions

Coverage and Types of Benefit

Under the National Pension Act of 1956, a program of national pensions composed of flat-rate benefits and public assistance was established. The basic or flat-rate pension is a universal benefit; public assistance is provided subject to a means test.

The national pension covers the entire population from the age of 16. The program provides old age and invalidity pensions and funeral grants. There are no survivors pensions.

Flat-rate Old Age and Invalidity Pensions

A flat rate, old age pension may be payable at age 65 to anyone who has had five years continuous residence immediately preceding his claim. Also eligible is a person who has lived in Finland for one half of the period between the day he reached age 16 and the day pension is granted, provided he resides there for at least one year immediately prior to payment of the pension. Retirement is unnecessary and there is no minimum period of contribution or employment. The national pension is not usually payable abroad after one year; however, the pension can be continued where a pensioner has good grounds for his stay abroad.

The rate of the flat rate old age pension was 34 marks a month in 1964. The pension is increased by 12.5 per cent for each year by which it is deferred after age 65, up to a maximum increase of 62.5 per cent at age 70.

Flat-rate invalidity pensions are granted to persons under 65 years of age who are, due to illness or injury, permanently incapable of maintaining themselves by work suited to their strength and qualifications. Residence requirements are the same as for old age pension. In 1964 the rate of the universal invalidity pension was 34 marks a month, the same as for old age pensions.

Public Assistance

In addition to the flat rate old age pensions, public assistance is payable at age 65, or at age 60 in the case of single women. The right to receive public assistance and its amount depend on the size of the earnings and other income of the pensioner and his spouse, as well as on the size of that part of their property which exceeds specified limits.

The maximum rate of old age assistance in 1964 was 92 marks a month. The amount of assistance paid is supplemented by 60 per cent where the

recipient's wife is at least age 65, or is an invalid. Also, if his wife has attained the age of 60 or, if younger, has not the opportunity to earn income because she must care for children, assistance is increased by 30 per cent. If the pensioner has dependent children under 16 living in his household, the rate of assistance is raised by 10 per cent for each such child.

The universal invalidity pension can also be supplemented by assistance of up to 92 marks a month, depending on the means of the invalid. Assistance is supplemented by up to 30 per cent for a dependent wife and by a further 10 per cent for each child.

Means Test

If a pensioner's income exceeds limits that are established by law and which depend on family size and place of residence, his assistance is reduced by half of the amount by which his income exceeds the fixed limits. For example, in 1957 a single pensioner residing in a community where the cost of living was the highest was not entitled to any assistance if his annual income exceeded 1,600 marks. If the cost of living in his locality was in the lowest category, he was not entitled to assistance if his income was in excess of 1,130 marks. All sources of income are not taken into account, for purposes of the means test. For example, types of income excluded are a national pension paid to the pensioner or to his or her spouse, child's allowances, family allowances, and certain relief payments made by the pensioner's employers and relatives.

Funeral Grant

There are no survivor pensions. A survivor age 65 or over receives the universal old age pension. On the death of a resident, or of a pensioner who has drawn his pension for less than one year, a lump sum grant (408 marks in 1964) is provided.

Financing

The funds for the universal pension scheme are obtained from contributions by workers, their employers and self employed persons. Insured persons contribute 1.5 per cent of their income which is subject to income tax from age 16 through to age 63. Employer contributions to the universal pension scheme are made at the rate of 1.5 per cent of payroll. For self employed persons the contribution rate is 3 per cent of their taxable income. The State is obliged to meet any deficit which may arise.

Funds for the assistance scheme are obtained mainly from the government although some are derived from taxes on income. The Central Government bears about 85 per cent of the cost of assistance pensions with about one-fifth of this share being borne by local governments.

Administration

The administration of the combined universal pension and assistance scheme is the responsibility of the National Pension Institute. This Institute has a board of management of four persons appointed by the President of the Republic. The Institute is supervised by a board of Commissioners appointed by the Riksdag, and an "enlarged governing body" appointed by the Council of State. The National Pension Institute has about 350 district offices.

Escalation of Pension Benefits

Under Finnish law, pensions are increased or reduced to the extent by which the cost of living at the time of payment has risen or fallen in comparison with the cost of living at the time when the pension rates were last fixed.

The same adjustment is made in the income limits applied in determining eligibility for public assistance. These adjustments are made whenever a change of at least 5 per cent occurs in the Finnish cost of living index.

Employer Liability System

Coverage and Types of Benefit

Under the Workers Pension Act of July 1961 all Finnish employers are compelled to establish pension schemes with certain minimum conditions. The plan must cover their employees who have been employed for at least six months without interruption since their 18th birthday. Excluded from this system, however, are employees who were between the ages of 55 and 64 in 1962 who had not been employed by the same employer for at least 15 years, those who are over age 65, and those whose earnings are considered insufficient to provide for basic needs. Special provisions apply to workers in forestry, building, dock work and other activities of a seasonal nature where workers are in the service of the same employer for less than six months each year.

Each employer is compelled to enter into a pension insurance contract with a Finnish insurance company, an established pension fund, or with a pension institute. If the number of workers dependent on the activity of such an institution is less than 20, pensions must be guaranteed by an insurance policy. To carry on this type of underwriting, Finnish insurance companies must obtain special permission from the Council of Ministers. Matters common to the pension carriers are supervised by the Central Pension Insurance Institution.

The employer liability scheme provides old age and invalidity pensions.

Old Age Pensions

Old age pensions are provided to employees who have retired from covered employment and have reached age 65. The rate of pension is one-twelfth of one per cent of the employee's earnings during the last year of employment multiplied by the number of months of coverage. This approximates one per cent of earnings for each year of coverage.

In determining the number of months of coverage, for purposes of calculating pensions, the length of employment after a worker's 23rd birthday is used. To this period are added periods in which the worker, after his 23rd birthday, was in receipt of an invalidity pension on account of sickness, disablement or injury contracted in the course of his employment. Periods of active military service, however, are not included for purposes of calculating pensions. For employment before 1962, i.e., before the program began, one-half of an employee's period of service is counted.

The maximum old age pension under the employer liability system is 40 per cent of earnings determined as above or, if less, 60 per cent of those earnings minus the universal pension. If a worker is entitled to an old age pension in respect of two or more employments and the combined pensions would exceed the statutory maximum, the amount of excess is reduced according to a descending scale, commencing with the pension determined from the workers most recent employment.

Invalidity Pensions

Any worker who on account of sickness, disablement or injury is receiving a national invalidity pension is entitled to an invalidity pension from his employer. When the recipient of an invalidity pension reaches an age entitling him to an old age pension, his invalidity pension is converted into an old age pension.

The invalidity pension is calculated in the same way as the old age pension. If the sickness, disablement or injury on which the invalidity pension is based is contracted in the course of employment, or if the invalidity commences no later than the year following the year in which the worker left employment, there is added to his service, for purposes of his pension calculation, the period between the date of commencement of invalidity and the date on which the worker would reach the age of entitlement to an old age pension.

No invalidity pension is payable for any period during which the worker receives 50 per cent or more of his wage from his employer. Similarly, no pension is payable for any period during which the worker receives benefits under a public sickness-insurance scheme or any other corresponding benefit of 50 per cent or more of his wage. The invalidity pension is refused if the worker willfully causes his injury.

Survivors Pensions or Funeral Grants

Although the legislation does not provide for the compulsory payment of survivors' pensions or funeral grants, the employer may provide these benefits. Where this is done and, where the collective agreement, if any, does not spell out the sharing of pension costs, the workers may not be called upon to pay more than one-half of the contributions required to finance these supplementary benefits.

Financing

Funds for the employer liability system are derived solely from employers' contributions and may amount to about 5 per cent of payroll.

Administration

The supervision of the Finnish employer-liability system is exercised by the Central Pension Insurance Institution. The governing body of this institution is made up of a chairman and a vice-chairman appointed by the Ministry of Social Affairs together with nine members, each having a substitute, chosen by the Committee of Representatives. The Committee of Representatives, in turn, is appointed by the Ministry of Social Affairs and includes representatives of employers' and workers' organizations, and persons familiar with the activities of insurance companies, assistance funds, pension institutions, insurance law, insurance medicine and actuarial calculations.

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APPENDIX A61

OLD AGE, SURVIVORS, AND DISABILITY PENSIONS—UNITED STATES

In the United States the major program of income maintenance for aged persons is Old Age, Survivors and Disability Insurance, commonly referred to as OASDI. In addition, assistance to the needy aged is provided under a federal-state program of Old Age Assistance.

I—Old Age, Survivors and Disability Insurance

Coverage

Old age, survivors, and disability insurance covers, on a compulsory basis, most gainfully occupied persons including the self-employed. Coverage is available on a voluntary basis for employees of non-profit institutions, employees of state and local governments, and clergymen.

Excluded from the program are those persons in agricultural employment whose cash pay from one employer in a calendar year is less than $150, those in domestic employment whose cash pay amounts to less than $50 in a calendar quarter (for that quarter only), self-employment which provides an annual net income of less than $400, and self-employed doctors of medicine. Also excluded are railroad employees and most federal employees, to whom special programs apply. The program applies in the continental United States, Puerto Rico, Virgin Islands, Guam, Samoa and to citizens employed abroad by U.S. employers.

Insured Status

Under the program the right to receive a benefit depends upon the degree of coverage, or insured status, attained by the worker as measured by the amount of work done in covered employment. The basis of measurement is the amount of work done in a "quarter", namely, a calendar quarter ending the last day of March, June, September or December. A quarter of coverage is a quarter in which the worker is paid at least $50 in wages and salary in covered employment. "Fully insured status" is acquired when the number of a worker's quarters of coverage is at least equal to the number of years from 1950, or from age 21 if later, to age 65 for men or age 62 for women. A minimum of six quarters of coverage is required for fully insured status. When a worker has earned 40 quarters of coverage he acquires "permanently insured" status. "Currently insured status" is achieved if a worker has, at the time of retirement or death, coverage in at least six of the last 13 quarters.

Old Age Benefits

Old age benefits are available at age 65 for both men and women provided they are fully insured. Reduced levels of benefit are available as early as age 62.

The amount of the old age benefit is dependent upon the "average wage" of the contributor. The benefit is based upon his earnings in the years between 1950 and the year the contributor attains age 65 if male, or 62 if female. From this period, there is deducted the number of years in which he was disabled and also another five years. The resulting number of years is used in the calculation of the average wage. The wages used are the highest wages on which contributions have been paid in the number of years calculated as above.

The rate of benefit at age 65 is 58.85 per cent of the first $110 of a worker's average monthly wage, plus 21.4 per cent of the next $290. The minimum

benefit in 1964 is $40 monthly, which means that an average annual wage of less than $800 is taken to be $800. The maximum benefit is $127 a month.

A reduced benefit is payable to a person who starts to draw an old age pension between ages 62 and 65. The reduction is made by determining a person's benefit at age 65 and reducing it by five-ninths of one per cent for each month by which the claimant is under age 65. The reduced rate of benefit continues after age 65.

Disability Pension

A worker who is unable "to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration" may be eligible for a disability benefit. To qualify for the benefit the worker must be fully insured, have 20 quarters of coverage out of the 40 quarters immediately preceding the onset of the disability and be under age 65.

The rate of the disability benefit is calculated in the same way as the retirement benefit and the pension commences at the end of a six month waiting period.

Benefits for Dependents of Retired or Disabled Contributors

Where the wife of a worker in receipt of a retirement or disability benefit is age 62 or over, she can claim a wife's benefit. The rate of benefit for a wife age 65 or more is 50 per cent of the insured's pension. If the wife's benefit is claimed between ages 62 and 65 the full benefit rate is reduced by 25/36 of one per cent for each month by which the widow is under age 65 when the benefit commences. A dependent husband on reaching age 62 may also claim a benefit at the above rates provided his wife is both fully and currently insured. Wives of pensioners caring for children under 18 may claim the full wife's benefit irrespective of their age. If unmarried children of a worker in receipt of benefit are under age 18 or over age 18 but disabled, they can claim a benefit in the amount of 50 per cent of the insured's benefit. However, where dependents benefits are paid these are subject to the maximum family payment which in 1964 varies between $60 and $254 depending on the average annual earnings of the insured.

Earnings Test

The earnings test is a test of earnings from work. It applies to any beneficiary of the program, under age 72, except the recipient of a disability pension.

If the beneficiary does not earn over $1,200 in a year, he meets the earnings test and receives without reduction each monthly benefit to which he is entitled.

If his earnings exceed $1,200 a year, his benefits for that year are reduced by $1 for each $2 that he earns between $1,200 and $1,700, and by $1 for each $1 that he earns over $1,700. However, no matter how large his earnings in a year, his benefit is not reduced for any month in which his wages do not exceed $100 or for any month in which he does not render substantial service as a self-employed person.

When the retired worker has earnings sufficient to require some reduction in benefit, that reduction is applied to the total of his benefit and those of his dependents. When a dependent works, any deduction required by the earning test is applied only to that dependent's benefit.

Survivors' Benefits

When an insured worker dies, benefits may be paid to the widow, dependent widower, parents, or children of the deceased. The rate of each benefit is directly related to the amount of the old-age or disability benefit that the deceased was receiving at, or had earned up to, the date of death.

Widow's Benefit. A widow, age 62 or over, is entitled to a widow's benefit if her husband was fully insured at his death. The benefit is equal to 82.5 per cent of the retirement or disability benefit paid or payable to her husband at the date of his death. If she remarries she loses her right to the widow's benefit. Widow's benefits are subject to the earnings test. A dependent widower, age 62 or more, is entitled to a similar benefit provided his wife was both fully and currently insured at the time of her death.

Widowed Mother's Benefit. The widow of a deceased contributor is entitled to a widowed mother's benefit, no matter what her age, if she has in her care a child entitled to a child's benefit and if her husband was either fully or currently insured at the date of his death. Her benefit is equal to 75 per cent of the rate of the retirement benefit paid or payable to her husband. The benefit ceases when the widow no longer has in her care a child entitled to a child's benefit, at which time she may be eligible for a widow's benefit.

Child's Benefit. A child's benefit is payable to an unmarried child of a deceased contributor provided the child is under age 18, or, if disabled, was disabled before attaining age 18. Also, the deceased contributor must have been either fully or currently insured at the date of his death. A child's benefit is equal to 75 per cent of the retirement benefit paid or payable to the deceased contributor.

Parent's Benefit. A parent's benefit is payable to a dependent parent of a deceased contributor provided the parent is age 62 or more and provided the contributor was fully insured. The benefit to one parent is equal to 82.5 per cent of the contributor's pension. Where both parents are alive each receives 75 per cent.

Limitations to Pensions

The maximum monthly family benefit is equal to 80 per cent of the contributor's average monthly wage but it cannot exceed $254 and cannot fall below 1.5 times the contributor's retirement pension. The family maximum applies to all monthy benefits that have been based upon a contributor's wage record. If reductions are required because total benefits exceed the family maximum, all benefits except the retirement or disability benefit are reduced and they are reduced proportionately.

Where a person is entitled to more than one social security benefit at the same time, an amount equal to the highest benefit is payable.

Death Benefit

A lump sum payment is payable at the death of every contributor who is either fully or currently insured. It is equal in amount to three times the monthly old age or disability pension that is being paid or that could be paid, but cannot exceed $255.

Wage Freeze

Eligibility for any OASDI benefit depends upon a worker's record of employment, and this record can be adversely affected for periods during which the worker is unable to work. A worker may gain some measure of protection during periods of total and permanent disability by having his record frozen. This means that he requests that his inability to work be recognized. As a result, the period of his disability will not be used in calculating his average monthly wage. Neither will the same period be used in the determina-

tion of the number of quarters of coverage he needs for insured status. For purpose of the wage freeze the definition of disability is the same as that used for the monthly disability benefit except a person who is blind is, by statute, also disabled for purposes of the freeze. The wage freeze is used where a person, although disabled within the meaning of the legislation, may not be eligible for disability pension.

Financing

Contributions to OASDI are paid by employees, employers and the self-employed at the following rates applicable to the first $4,800 of wages and self-employment earnings:

Calendar Years	Employee	Employer	Self-Employed
1964-65	3⅝%	3⅝%	5.4%
1966-67	4⅛	4⅛	6.2
1968 and thereafter	4⅝	4⅝	6.9

An amount equal to one-half of one per cent of the wages of the employee and an amount equal to three-eights of one per cent of a contributor's self-employment income are paid to the Disability Insurance Trust Fund. The remaining contributions are put into the Old Age and Survivors Insurance Trust Fund. Benefit payments and administration costs are paid out of the two funds. There is no government contribution. Funds not needed for current benefits and administrative expenses are invested in interest-bearing federal securities.

Administration

The OASDI program is administered by the Social Security Administration of the Department of Health, Education and Welfare with its head office in Baltimore and with more than 600 district offices located in principal cities and towns of the United States and Puerto Rico. Each district office may provide individuals with information on benefits, determination of disability, rights, obligations, and other pertinent facets of the OASDI program. There are seven payment centres located throughout the United States.

II—Public Assistance

In addition to the OASDI program, income maintenance is provided to aged persons in the United States under federal-state programs of public assistance. The purpose of these public assistance programs is to enable the States to provide adequate financial assistance including payment for medical care and other social services to persons who are in need. The old age assistance program is administered by the state and provides assistance to needy persons age 65 and over. The federal government reimburses the states by a formula which meets over half of their outlays for assistance. The formula is based upon the average state assistance payment and takes into account the personal income per capita of the state. Assistance is also payable under federal-state programs to needy disabled persons and to needy orphans and to relatives with whom these orphans might be living.

Sources: United States, Department of Health, Education and Welfare, *Social Security Handbook*, Washington, 1963.

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APPENDIX A62

OLD AGE, SURVIVORS AND DISABILITY PENSIONS—WEST GERMANY

In the Federal Republic of Germany, old age, disability and survivors pensions are provided to wage-earners and salaried employees under two separate social insurance systems. In addition, there are special systems for miners, public employees, and self-employed farmers. The following comments refer to the social insurance schemes for wage-earners, salaried employees, and miners, which are similar in a great many ways, and to the public assistance scheme organized for farmers.

I—Schemes for Salaried Persons, Workers and Miners

Coverage

Under the salaried persons pension insurance scheme, all salaried persons whose annual occupational earnings do not exceed 15,000 DM are compulsorily covered. For salaried persons who have made contributions to the pension insurance scheme and whose earnings rise above 15,000 DM a year it is provided that they may continue insurance on a voluntary basis, under conditions to be discussed later. Also covered are certain groups of self-employed persons as, for example, handicraft workers, instructors, artists, midwives and persons caring for the sick.

Under the mineworkers pension insurance scheme, all persons, including workers and salaried persons, who work in undertakings in which minerals or similar substances are produced by a mining process are compulsorily covered. Compulsory coverage is extended to persons in factories and business premises which are physically and industrially linked with mining. Further, workers and salaried employees of employers' or workers' organizations which look after the occupational interests of those in mining, and workers and salaried employees in mining offices and head offices are required to insure under the mineworkers' scheme if they were so insured before taking up employment with the employers' or workers' organization or in the mining office or head office, and if they can show that they have either completed 60 months of insurance under the mineworkers' scheme whilst performing underground work, or if they have been insured under the mineworkers' scheme for a total of 180 months.

The workers pension insurance scheme covers all workers who are not members of the salaried employees or mineworkers pensions schemes if they are employed for remuneration or as apprentices, or are undergoing any other form of vocational training. In addition, certain groups of self-employed persons such as those engaged in domestic industries, homeworkers, coastal shipping employees and coastal fishermen are included in the workers' pension insurance scheme. Also covered are persons working abroad on official missions.

There are certain exceptions to the compulsory coverage of German pension insurance. Among those exempted are persons working for their spouse; persons who receive as remuneration only free maintenance; salaried workers earning more than 15,000 DM annually; officials of the federal government, the provinces, the Bank Deutscher Lander, the Berliner Zentralbank, the Provincial Central Banks, and other similar organizations; short-term and professional soldiers; most of those engaged in "independent professions"; persons not engaged in remunerative activity; persons gainfully employed in the course of attendance as a regular student at an educational institute; and persons drawing old age pensions.

Old Age Pensions

The insurance schemes provide insured members, their dependents and survivors with monthly cash benefits as a matter of right, except for invalidity benefits where rehabilitation is encouraged.

Old age pensions are payable under the workers, salaried persons and mineworkers plans to men and women at age 65. The qualifying period for an old age pension is 180 months of insurance coverage. Retirement is not required unless the pension is paid before age 65. Benefits are available to men at age 60, if they have been unemployed a year or longer, and continue, between age 60 and 65, for as long as they continue to be unemployed. A woman with 10 years of covered employment in the last 20 years who is no longer employed can receive benefits at age 60.

Premature pensions are payable to miners at age 60 if they are no longer employed in a mining undertaking and have performed at least 180 months of work underground or completed 300 months of mineworkers insurance. A pitworkers pension is payable to miners at age 50 under similar conditions.

The rate of old age benefit is related directly to a contributor's earnings throughout his working career. There is first determined for each contributor a factor which indicates his place in the wage or salary scale. This factor is equal to the ratio of his contributory earnings to the average earnings of all contributors. It is calculated for each calendar year in which the contributor made contributions. The ratios for all years are then added together and divided by the number of years of contributions giving an "average earnings ratio" for that contributor.

Each contributor's average earnings ratio is then multiplied by the national average earnings for the three years ending with the second year preceding the year of retirement. The result is the contributor's "assessed wages". An old age pension is equal to 1.5 per cent of a contributor's assessed wages in both the workers and salaried employees schemes and 2.5 per cent in the miners plan, multiplied by the number of years of the contributor's insurance which number includes credited periods of incapacity, unemployment, and schooling after age 15.

By way of example it can be seen that a person with 25 years contributions and an average earnings ratio of .75 would receive, at a time when the national average wage was 560 marks a month, (for 1964) a pension under:

(a) the workers and salaried persons schemes of $.75 \times 560$ DM$\times .015 \times 25$, or 158 DM per month;

(b) the mineworkers scheme of $.75 \times 560$ DM$\times .025 \times 25$, or 262 DM per month.

Old age pensions are supplemented by the payment of children's benefits. A child's supplement is granted until the child reaches age 18, or to age 25 if unmarried and attending school, or as long as the child is disabled. The children's supplement is equal to 10 per cent of the last three years' national average earnings, that is, 56 DM per month in 1964.

Invalidity Pensions

Where a contributor is unable to exercise gainful activity a general invalidity pension is payable. Where he is unable to earn 50 per cent of normal wages in his usual occupation, he is paid an occupational disability pension. A minimum of 60 months of contributions is required in each case.

General invalidity pensions are calculated in the same manner as are old age pensions. For occupational disability pensions the same formula is used except that the annual rate of pension accumulation is only 1 per cent rather

than 1.5 per cent. Those who begin to suffer from general or occupational disability before reaching age 55, and have 36 months of contributions in the preceding 60 months or have made contributions in one-half the months since commencement of insurance, add to their number of years of pensionable insurance the period between the occurrence of either form of disability and the date on which they reach age 55.

Survivors Pensions

Survivors pensions are payable on the death of the insured person provided the deceased had paid a minimum of 60 months of contributions. On the death of an insured husband or a wife who was principally responsible for the maintenance of his or her family, benefits are paid for the first three months to the surviving spouse at a rate equal to 100 per cent of the general invalidity pension. Thereafter, benefits are equal to 60 per cent of the general invalidity pension if the surviving spouse is age 45, disabled, or caring for a child. For other surviving spouses benefits are equal to 60 per cent of the deceased's occupational disability pension or of the pension to which he would have been entitled.

A widow or widower who remarries is granted a lump sum final settlement equal to five times the annual amount of the pension previously payable.

On the death of an insured person, his children receive orphan's pensions until they reach age 18 or, if attending school, until age 25 or, if disabled, as long as the disability continues. For half-orphans the pension is equal to one-tenth, and for full orphans one-fifth of the insured person's general invalidity pension (not including any children's supplements). The orphan's pension is increased by the payment of a children's supplement.

The total of all the pensions payable to the survivors of one insured person cannot exceed 100 per cent of his general invalidity pension.

Refunds of Contributions

If, two years after a person ceases to be compulsorily insured, he has not elected to continue on a voluntary basis, he may claim a refund of one half of the contributions paid by him since June 1948. A person not eligible for a general invalidity, or a widow's pension, only because the qualifying period has not been met, may also claim a refund. So also may an insured woman who marries before her retirement.

Updating Pensions in Pay

The legislation provides that pensions in pay will be subject to an annual revision which will take into account changes in wage levels.

The following table sets out the adjustments to pensions in pay that have been made since the 1957 reform.

Pension Index		Increases in Pensions in Pay	
For Year	Index (1957=100)	Effective January 1	Percentage Increase
1959	106.1	1959	6.1 p.c.
1960	112.4	1960	5.9 "
1961	118.5	1961	5.4 "
1962	124.5	1962	5.0 "
1963	132.8	1963	6.6 "
1964	143.7	1964	8.2 "

The costs arising from the updating of pensions for the miners' scheme are chargeable to the government while the costs for the workers, and salaried persons, schemes are chargeable to those schemes.

Voluntary Insurance

In general, voluntary coverage in the statutory pension schemes is not available. However, a previous compulsory membership can be continued on a voluntary basis. Persons who have paid contributions for at least 60 calendar months within ten years in an employment subject to compulsory pension insurance can continue to be insured voluntarily (continuing insurance).

Also, compulsorily insured persons and those in continuing insurance can, in addition to their normal contributions, pay supplementary contributions for the purposes of additional insurance. The amount of additional insurance which can be taken up is limited, particularly with regard to an applicant's age and his basic pension insurance.

Those who continue in insurance voluntarily pay contributions in one of several prescribed contribution classes ranging in 1964 from 14 DM to 154 DM per month. Voluntary insurance provisions are especially helpful to those salaried employees whose earnings have come to exceed 15,000 DM annually, and therefore cease to be compulsorily covered.

Financing

Resources of the pension insurance schemes consist of contributions by insured persons and their employers, a subsidy from the federal government and interest earnings. Contribution rates are fixed so that for every 10 year period receipts will be sufficient to cover estimated expenditures and also will provide a residual amount equal to estimated expenditure during the last year of the period concerned. If actual receipts do not meet expenditures the deficit is met by the Federal Government.

Contributions to the workers and salaried persons pension insurance schemes are made at the rate of 7 per cent for the employee and 7 per cent for the employer on earnings up to an established ceiling. This wage ceiling varies each year with average national wages during the three year period ended one year earlier. By law the ceiling is double the national average figure rounded up or down to the nearest multiple of 600 DM. When a person's earnings are less than 10 per cent of the ceiling, no contribution is required of the insured person but the employer contribution is 14 per cent i.e., the employer is required to pay the employee's share.

Those self-employed who are covered by these schemes are assigned to one of 23 contribution classes depending on their monthly income. Monthly contributions vary from 1.75 marks on monthly income up to 25 marks to 154 marks on monthly incomes of 1075 marks or over.

Federal subsidies to the workers and salaried persons schemes are provided by law. They amount to about $\frac{1}{3}$ of the cost of the wage-earners system and $\frac{1}{5}$ of the cost of the salaried employees system.

The contribution rate for compulsorily insured members of the mine-workers program is 23.5 per cent of earnings, 15 per cent paid by the employer and 8.5 per cent by the worker. The employer pays the whole contribution if worker's earnings are less than 10 per cent of the ceiling.

Administration

The workers insurance scheme is decentralized and is administered by 18 district insurance institutes. These insurance institutes are autonomous bodies made up of representatives of both employers and employees who in turn elect a board of directors. Some institutes are responsible for a whole province while others are responsible for part of a province only. Each institute is responsible for insuring all the employed persons in its own area. The salaried

employees scheme is administered centrally by the Federal Insurance Institute for Salaried Employees. This institute receives the contributions from all salaried employees and determines benefits for insured persons. The mineworkers scheme is administered by eight mineworkers institutes for both salaried employees and manual workers in mining undertakings.

Participation by the state in administration of the three schemes is limited to government control over the insurance institutes. Control over the district insurance institutes is exercised for the most part by the provincial ministers of labour. Government supervision is designed to insure that each institute performs its statutory and constitutional duties. As there is a government subsidy to the different schemes the state controls the budgetary and financial operations of each institute through the Federal Audit Office.

II—Old Age Assistance Scheme for Farmers

The members of the old-age assistance scheme for farmers are all persons who are occupied as self-employed farmers or operators in agriculture and forestry including wine, fruit and vegetable growing, provided that their farm or property provides them with a permanent basis of subsistence.

The resources for the program are obtained from contributions and a State subsidy. Contributions are payable compulsorily by those whose principal occupation is farming provided they are not already required to contribute to another pension insurance scheme. The amount of contribution is the same for all contributors and is determined by the authorities elected by the members themselves. Since 1959 contributions have been 12DM. a month. In 1963 the State subsidy amounted to almost two-thirds of the benefit payments.

Under the farmers plan benefits are available, on the attainment of age 65 to the owner of the agriculture undertaking, (or to a widow at age 60), provided he ceases to manage the undertaking and undertook to transfer the property not later than his age 74, and provided the deceased, together with the widow or widower, have paid contributions for at least 180 calendar months.

The retirement benefit is a flat-rate benefit designed to supplement the free board, lodging and other benefits he would generally receive from the heir to whom he has turned over the farm. In 1963 benefits were 100 DM. per month for a married couple and 65 DM. for a single person.

Sources: ISSA. *Old Age Insurance—National Monographs*, Geneva, 1959.
U.S. Department of Health Education and Welfare, *Social Security programs throughout the World*, 1961, 1964, Washington.
ILO. *Legislative Series, 1957, August and October, 1961 and December, 1962*, Geneva.
Belgium, *Revue Belge de Sécurité Social, Janvier, 1964*. Brussels, 1964.
West Germany, Ministry for Labour and Social Order, *Social Security*, Bonn, 1964.

APPENDIX A63

Estimates of Additional Contributions under the Canada Pension Plan if there were no Contributory Earnings Lower Limit

Request

During the sittings of the Committee on February 1, 1965, Mr. Chatterton and other members requested that estimates be made in respect of additional contributions and additional benefits in the event that contributions were collected at the rate of 3.6% on all earnings of employees and self-employed persons up to the Year's Maximum Contributory Earnings.

Estimates

The estimates shown in are following schedules take account only of additional contributions in respect of earnings below the currently proposed contributory earnings lower limit of persons who would contribute under the Canada Pension Plan in accordance with the terms of Bill C-136 as it now is. In other words, the estimates shown do not include contributions in respect of persons having earnings less than the currently proposed lower limits for contribution purposes who would be covered under the plan in the event that such limits were dropped nor have estimates been made of benefits payable to such persons. (Calculations of contributions and benefits in respect of this latter group would be very lengthy and the results would not be relatively significant.) It should perhaps be noted that there would be no increase in benefits as a result of the additional contributions made in respect of persons who would contribute under the Canada Pension Plan in accordance with the terms of Bill C-136 in its original form.

SCHEDULE 1

Estimated Contributions* in respect of Earnings of Persons who would contribute under the Canada Pension Plan in accordance with the terms of Bill C-136

Contributions (in millions)

Year	In respect of contributory earnings in accordance with Bill C-136	In respect of earnings below the lower limit specified in Bill C-136	Total
1966	$ 437.8	$ 93.3	$ 531.1
1970	519.8	107.1	626.9
1975	634.3	128.0	762.3
1980	836.9	168.4	1,005.3
1990	1,336.0	267.8	1,603.8

*Based on the low fertility-low immigration populations and the assumption of an annual rate of increase in average earnings of 3%.

For additional information, in Schedule 2 below are compared the percentages of contributory earnings required to provide benefits and expenses of administration in accordance with the "high cost" assumptions described in the actuarial report dated November 6, 1964, estimated with and without the lower limit on contributory earnings. The principal "high cost" assumptions are the low fertility-low immigration populations, an annual rate of increase in average earnings of 3% and an annual rate of increase in the Pension Index (and benefits dependent thereon) of 1½% to 1975 and 2% thereafter.

SCHEDULE 2

Estimated "High Cost" Percentages of Contributory Earnings Required to Provide Benefits and Expenses of Administration

Year	Percentage of Contributory Earnings	
	Excluding earnings below lower limit	Including earnings below lower limit
1966	0.10%	0.10%
1970	0.68	0.58
1975	2.20	1.85
1980	3.73	3.12
1990	5.55	4.64

Department of Insurance
Ottawa
February 5, 1965

APPENDIX A64

Estimates of Additional Contributions under the Canada Pension Plan if there were no Contributory Earnings Lower Limit

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*Based on the low fertility-low immigration populations and the assumption of an annual rate of increase in average earnings of 3 per cent.

For additional information, in Schedule 2 below are compared the percentages of contributory earnings required to provide benefits and expenses of administration in accordance with the "high cost" assumptions described in the actuarial report dated November 6, 1964, estimated with and without the lower limit on contributory earnings. The principal "high cost" assumptions are the low fertility-low immigration populations, an annual rate of increase in average earnings of 3 per cent and an annual rate of increase in the Pension Index (and benefits dependent thereon) of 1½ per cent to 1975 and 2 per cent thereafter.

SCHEDULE 2

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1990	5.55	4.64

Department of Insurance
Ottawa
February 5, 1965

APPENDIX A65

Estimates Relating to Proportions of Retired Populations in Receipt of Pensions and Average Amounts of Age Retirement Pensions under the Canada Pension Plan for Specimen Future Years

Request

During the afternoon session of the Committee on January 14, 1965, Mr. Chatterton made the following request:

> "I would like information suggested by the delegates yesterday with regard to the benefits of the Canada pension plan by the years 1971, 1981 and 1986, in the form of chart 2 in the brief presented by the Canadian Life Insurance Officers Association. If possible, Mr. Chairman, I would like to have the no benefit group broken down by whatever major categories there are that make up that group, if it is possible to get the latter information within the time available."

Mr. Knowles supplemented this request as follows:

> "I would like to have information both for the years given by the Life Insurance Officers Association and the years asked for by Mr. Chatterton. I would also like this information to show percentages in relation to the persons who by age would have been eligible."

Mr. Munro asked, in addition,

> "that that table be broken down three ways, or all ways, not only down to people now in retirement who will still be reflected in the table 10 years from now. I should like it to include widows now under 55 and the unemployed, as well as anybody else who could conceivably be included in there so that we could determine the accuracy of the table."

Estimates

The estimates shown in the following schedules for Canada excluding Quebec were based on the low immigration populations described in the actuarial report dated November 6, 1964 (fertility has, of course, no effect for the groups under consideration). The numbers shown in Schedules 1 and 3 would have been slightly higher if the high immigration populations had been used but the percentages corresponding to those shown in Schedules 2 and 3 would have been the same as those shown.

SCHEDULE 1

ESTIMATED NUMBERS OF PERSONS AGED 65 AND OVER IN CANADA EXCLUDING QUEBEC WHO ARE NOT IN REGULAR EMPLOYMENT AT AGES 65 TO 69

(in thousands)

Year	Total Numbers		In receipt of age retirement or widow's pension under C.P.P.			Not in receipt of pension under C.P.P. by reason of being too old to contribute at the effective date of the plan	
	Males	Females	Males	Females		Males	Females**
				Age retirement pension	Widow's* pension		
1970.....	477	631	117	39	4	225	285
1975.....	517	709	261	101	26	115	167
1980.....	575	819	419	197	68	45	81
1985.....	646	943	552	312	121	13	30
1990.....	722	1,091	668	448	184	2	6

* Numbers of widows excluding those who are also in receipt of age retirement pensions.

** These numbers include women who were too old to contribute at the effective date of the plan but who could become entitled to a widows' pension by reason of having husbands who could have contributed under the plan; the estimated numbers of such women are 12,000 in 1970, 8,000 in 1975, 5,000 in 1980, 2,000 in 1985 and 0 in 1990.

SCHEDULE 2

ESTIMATED PROPORTIONS OF POPULATIONS AGED 65 AND OVER IN CANADA EXCLUDING QUEBEC WHO ARE NOT IN REGULAR EMPLOYMENT AT AGES 65 TO 69

Year	Who are in receipt of a pension under the C.P.P.	Who could not qualify for a pension under the C.P.P. because of their age at the effective date of the plan	Who could have contributed under the plan by reason of age alone but are not in receipt of a pension under the C.P.P.*
1970.....	14%	45%	41%
1975.....	32	22	46
1980.....	49	9	42
1985.....	62	3	35
1990.....	72	—	28

* These proportions include married women who may later become eligible for a widow's pension.

SCHEDULE 3

ESTIMATED NUMBERS AND PROPORTIONS OF AGE GROUP POPULATIONS IN RECEIPT OF AGE RETIREMENT PENSIONS UNDER THE CANADA PENSION PLAN (FOR CANADA EXCLUDING QUEBEC) AND AVERAGE AMOUNTS OF PENSION

Year	Sex	Age Group	Number in receipt of age retirement pensions	Proportion of age group population*	Average monthly amount of pension**
				%	$
1970	Males	65–69	56,000	27	20
		70 and over	61,000	17	16
	Females	65–69	22,000	10	12
		70 and over	17,000	4	9
1975	Males	65–69	93,000	39	52
		70 and over	168,000	43	37
	Females	65–69	45,000	18	29
		70 and over	56,000	12	21
1980	Males	65–69	127,000	46	90
		70 and over	292,000	68	64
	Females	65–69	86,000	28	51
		70 and over	111,000	20	38
1985	Males	65–69	145,000	49	110
		70 and over	407,000	83	87
	Females	65–69	118,000	35	58
		70 and over	194,000	30	48
1990	Males	65–69	169,000	51	126
		70 and over	499,000	91	111
	Females	65–69	160,000	41	61
		70 and over	288,000	39	59

* Populations for the age group 65 to 69 include persons still in regular employment and thus, proportions derived from this schedule for males and females combined are not comparable to those shown in Schedule 2 above.

** Based on the assumptions of an annual rate of increase in average earnings of 3% and an annual rate of increase in the Pension Index of 1½% to 1975 and 2% thereafter.

Department of Insurance
Ottawa
February 5, 1965
21767—4½

APPENDIX A66

3258 Andrews Gd.,
Toronto 5—12 Jan/65.

Memo for M. Maxime Guitard, re
Joint Cttee on Pensions
from Donald MacGregor,

In the Cttee's hearings the question has been raised as to the extent of adjustment of existing pension plans to the O.A.S. pension of $75 monthly at age 70. The view was expressed, in answer to the question, that these were virtually no adjustments. The attached results from unpublished Ontario Statistics. Adjustments are reported by 7% of plans having 14% of the total membership. No. of plans surveyed in Ontario about 7500. Show that there has been considerable adjustment, not counting optional arrangements.

EDMONTON CHAMBER OF COMMERCE

Incorporated February 1889
9905 101A Avenue
Edmonton, Alberta, Canada

January 21, 1965.

The Co-Chairmen and Members,

The Joint Committee of the Senate
and House of Commons appointed
to consider Bill C-136,
The Canada Pension Plan,

OTTAWA, Canada.

Dear Sirs:

The Edmonton Chamber of Commerce has given considerable study to The Canada Pension Plan. Our study included Bill C-136, briefs submitted by other organizations, and many articles by qualified experts.

As a result of this study, the Edmonton Chamber supports the views expressed in the submission of the Executive Council of the Canadian Chamber of Commerce. The Edmonton Chamber of Commerce therefore wishes to record its support and endorsation of the Canadian Chamber's submission to the Joint Committee, Senate and House of Commons.

Very truly yours,

D. F. MARLETT,
General Manager.

JOHN LABATT LIMITED

Executive Offices, 150 Simcoe Street, London, Canada

January 27, 1965.

The Co-Chairman and Members

The Special Joint Committee of
the Senate and House of Commons
appointed to consider Bill C-136,

Ottawa, Ontario.

Dear Sirs:

John Labatt Limited appreciates the opportunity to present to the Committee its views on the Canada Pension Plan as proposed in Bill C-136.

The Company is a leading firm in the brewing industry in Canada and is also active in the food additive, animal feed and pharmaceutical industries. In our operations we employ some 2,800 persons in plants located in the provinces of Newfoundland, Quebec, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia.

We have maintained a contributory pension plan for our employees since 1938. This plan has been amended from time to time and currently provides pensions for the employees and their widows at a higher level than generally prevails in industry in Canada. The Company would prefer to continue this plan without change but it recognizes the impracticability of doing so after the introduction of a contributory public pension plan as proposed in Bill C-136.

It was our intention to present a detailed brief to your committee. However, examination of various other briefs already presented, has led us to the conclusion that our views have been adequately presented, and that a fully detailed submission could be an unwarranted imposition on the committee's time.

We would, however, like to record the following summary of our recommendations:

1. Private pension plans should be encouraged with public pensions being designed primarily to provide a minimum retirement income for everyone.
2. The amount of the public pension should be closely related to the country's ability to support and sustain such a level of social benefit.
3. The Canada Pension Plan should be extended to cover every person who is retired or who is a widow.
4. The problems of a reduced work force as a result of automation should be recognized by removing any penalty under the Canada Pension Plan resulting from early retirement from the work force.
5. Students over age 18 should be permitted to deduct the years in which they are at school or university without prejudicing their average pensionable earnings.
6. Consideration should be given to eliminating the $600 exemption in contributory earnings.

7. Provision should be made for automatic review of the plan at periodic intervals rather than automatic adjustment in the pensionable earnings and benefits on the basis of an earning's index. In any event the consumer price index is considered to be a more reliable index.

Respectfully submitted,

JOHN LABATT LIMITED

J. B. Cronyn,
Executive Vice-President.

THE WYATT COMPANY

Actuaries and Employee Benefit Consultants

Commonwealth Building
77 Metcalfe Street
Ottawa 4, Ontario

JANUARY 29, 1965

The Co-Chairman and Members,
The Special Joint Committee of the
Senate and House of Commons
appointed to consider Bill C-136,
Ottawa, Ontario.

Dear Sirs:

As a result of studying Bill C-136, advising clients as to the effect of the Bill on their private pension plans and discussing the intricacies of the Bill with my associates, I should like to present the following main points of concern which the Joint Committee may wish to consider.

Financing under Bill C-136

The benefits provided under the Bill are to be financed entirely by contributions collected from employees and employers. As demonstrated in the actuarial report prepared by the Department of Insurance and dated November 6, 1964, initial rates of contributions, 1.8% and 1.8%, will be more than sufficient to provide the benefits that become payable in the early years of the plan but will be inadequate within 15 or 20 years. The proposed plan therefore is not a pay-as-you-go plan nor is it a funded plan. Since contributions in the early years are more than sufficient to provide the benefits, a fund will build up which can be used to subsidize contributions after they become inadequate. The actuarial report shows that by the year 2000 the fund will have been depleted and the rate of contributions required to provide the benefits payable in that year will fall in the range 4.5% to 6% compared to the 3.6% rate stipulated in the Bill.

It is suggested that the proposed financing of the benefits provided under Bill C-136 is misleading to the public and capable of being misunderstood by the legislators. It would be preferable either—

(1) to establish the contributions each year at a rate which would be sufficient to provide the benefits payable in the following year, or

(2) to establish the contributions at a rate which would be considered sufficient to provide all benefits payable into the indefinite future.

This latter approach, of course, would result in the formation of a continuing fund.

Presently Retired Persons

Bill C-136 provides benefits to all contributors and their dependents but does not recognize persons presently retired on account of age, disability or widowhood. Thus, those persons approach retirement are given a substantial financial advantage over those persons who have already retired. Furthermore, it can be shown that this financial advantage is derived largely from the contributions made by and on behalf of younger contributors. The inequity between persons already retired and those approaching retirement could be removed by extending benefits to those persons already retired.

It is suggested that those persons already retired should be granted a benefit of 50% of the benefit they would have received if the proposed plan had been in effect during their working lifetime. This may necessitate some revision in the benefits to be provided to persons retiring during the 10-year transition period. It may be noted that the payment of these benefits, assuming the proposed 3.6% contribution rate is retained, would result in a smaller fund, if any, being build up in the early years of the plan.

Determination of Pensionable Period

Bill C-136 assumes a contributory period extending from age 18 to age 65 with provision for a drop-out of 10% in respect of low-earnings years. The application of this approach can create undesirable results in at least two general situations.

(1) The person who chooses to continue his education after age 18 rather than entering the work force is jeopardizing part of his prospective benefits since, if he uses the 10% deduction for low-earnings years to cover his educational years, he loses his protection against future low-earnings years resulting from sickness or unemployment. It is suggested that, notwithstanding the 10% drop-out provision, the years during which a person over age 18 could be classed as a dependent child under the Income Tax Act should not be counted as contributory years in determining average pensionable earnings.

(2) The nature of employment or the nature of the occupation of many persons (e.g. teachers, firemen, policemen) is such that retirement at an age earlier than 65 is necessary or desirable. It is suggested that, notwithstanding the 10% drop-out provision, where a person actually retires earlier than age 65 the years between actual retirement and attainment of age 65 should not be counted as contributory years in determining average pensionable earnings.

Escalation

Bill C-136 provides for automatic adjustment of the amount of pension according to the pension index and for adjusting the amount of pensionable earnings according to the pension index and ultimately the earnings index. The principle of adjusting benefits and earnings in the light of changes in price and wage levels is not only acceptable but necessary. The same purpose would be served however, if adjustments were made only after periodic review rather than automatically. Experience may prove that other changes in benefits are more desirable than automatic increases in benefits. It is suggested therefore that the provision for automatic adjustments should be replaced with a provision for regular periodic review.

Five copies of this letter are attached for the convenience of the Committee. If additional copies are required I should be pleased to provide them. If the Committee would like a verbal presentation or explanation of the points of concern expressed in this letter I should be pleased to appear before them at their convenience.

Respectfully submitted,

R. Alvin Field,
Fellow, Society of Actuaries.

20 Wychwood Park, Toronto 4, Ont.

3 February 1965.

M. Maxime Guitard,
Clerk of the Special Joint Committee on Pensions,
Room 499
West Block, House of Commons, Ottawa.

Dear M. Guitard,

I enclose a cutting from the Globe and Mail of 2nd February, 1965, which expresses what I think will be the feelings of a great many ordinary Canadians when they become better acquainted with the proposed Canada Pension Plan. The "conversation" tries to bring out the basic inconsistancy in collecting a pay-roll tax on a nation-wide base and then handing out parts of it to some aged persons, but none to others, while holding a substantial part in reserve. As an actuarial consultant and teacher of actuarial science, I am fully aware of the necessity for reserves in plans designed for an employer-employee group, where the employer's future earning power is not assured, and where the employer does not have an enforceable power of collecting income, i.e. the power of taxation. But national social insurance plans exist in a different setting.

I am also aware that "past service" benefits are often granted to those employees lucky enough to connect with a private pension plan at its inception, while no such benefits may be given to those who have left the particular employer's employment just before the plan's inception. In such cases, however, *the individual employer* pays the total cost of these past service benefits. The Canada Pension Plan, as it now stands, tries to incorporate motions that may be acceptable in a private pension plan into a plan based on nation-wide pooling of taxes, where the circumstances surrounding a private pension plan no longer exist.

The resulting unfair discrimination between two classes of aged persons ("contributors" and "non-contributors") has been amply exemplified during the first 30 years of the OASDI plan in the U.S.A. Now that the great majority of the "non-contributors" to that plan (those over age 65 at its inception) have died, the unfair discrimination has gone away (c'est vrai), in a large part.

Thus it has taken 30 years of OASDI to eliminate one of its most indefensible features. And yet there is still a substantial segment of the aged population in the U.S.A. that has not managed to "contribute" long enough to OASDI to reap the generous rewards of such "contributions". These unfortunate persons are second-class pensioners, recipients of Old Age Assistance, the very thing that our own universal Old Age Pension system is trying to eliminate. Surely we in Canada can learn something from this U.S.A. experience.

In short, I would strongly advocate that any national (welfare) pension plan include all the present aged population, and that it be paid for on a pay-as-you-go basis, through taxes which will reflect immediately the real cost of such a plan. Even these tax rates will eventually rise, if our aged group becomes a large percentage of the working force, but the rise will not be nearly so dramatic as the rise that is in store for the tax-payer under the proposed Canada Pension Plan.

Faithfully yours,

Donald Baillie, A.S.A.

P.S. I shall be pleased if you will bring these thoughts to the attention of the Committee.

D.B.

THE SALVATION ARMY

20 Albert Street — Toronto 1, Ontario

November 27, 1964.

Chairman of Parliamentary Committee
to Study the Canadian Pension Bill,
Parliament Buildings,
Ottawa, Ontario.

Dear Sir:

May we please enquire if there is or will be provision in the Canada Pension Act—Bill 136 for Canadian citizens employed outside of Canada.

The Salvation Army in Canada has a number of Officers serving overseas in Great Britain, Germany, in various African countries and in a number of Asian countries. These Officers will, undoubtedly, return to Canada at some time and quite definitely when they reach the age of retirement.

Under what conditions would contributions be received from the Officers themselves, and/or from The Salvation Army in Canada?

If this letter has not been directed to the proper Government Department, it would be appreciated if you will kindly forward it.

Yours sincerely,

(S) (Robt. Watt)
Colonel
Financial Secretary

MINISTRY TRANSPORT

Representation

Canada Pension Plan Committee	Proposed Annuity
Parliament Buildings	*Credit from* Minister of Transport,
Ottawa Canada	$2,350.00
	Lease 61544 Malton Airport

Brief on the Right to Optional Credits and Retroactive Credits at inception of Plan January 1st, 1966 (proposed)

It is presumed that a considerable number of individuals who will reach retirement age will contribute sums of money in various ways which have been direct contributions to Consolidated Revenue both directly and indirectly through pursuit and organization of specific life interests originally regarded as personal life interests.

These interests in many cases were visioned for the pursuit of an active retirement between the age of 65 and 70 years. It is evident that pressure of progress is weighing against the appropriate completion of many of these personal interests, at least on a scale visioned by those of modest reserves within this age group.

To many in Industrial pursuits under both trade craft and professional training background, it was anticipated even as late as the decade of the forties

that private enterprise would absorb at least 50% of those with appropriate background both in training and financial resources. The increased rate of absorption into consolidated economic pursuit has altered the personal concept and many will find it most appropriate and essential to lay aside some of the scope and reality of active continuity or change to specific initiative in lieu of security rights at 65, for the period at hand.

It is presumed that the ratio of those enrolled in specific Pension plans and annuities will constitute approximately 50% of the retiring ranks for the period 1965 to 1970. It is also presumed that many have previously planned an active and appropriate interest and right until attaining the age of 70 years. There probably exists at least some close reality between physical capacity, training and personal adaptation which previously forecast the participation of a greater number of individuals in active pursuits. Personal pressure and opinion is no doubt limiting this trend.

A greater portion of all avenues of economic and social resources are absorbed in our pursuit to strengthen the standards of public welfare some resolute adjustments are hoped for in the transition period just ahead. Previous representation has been made to investment in personal life interests considered and organized as retirement interests. It is obvious that the plan of mobilizing economic expansion by Income Tax contributions has added a great deal to such reserves as Industrial Bank resources. To date no positive plan has been organized to recognize the funneling of these resources to the purchasing resources of the individual who has retired from active initiative.

It is visioned that the resources accumulated in self employment and optional interests have been equivalent in many cases to the joint vested interest of those enrolled in group pension plans.

While there is every enthusiasm for an active pursuit beyond the retirement age of 65. Force of competition make it imperative that these optional rights and contributions be thoroughly recognized at this time.

Type Application for Retirement Option Canada Pension Plan, January 1st, 1966

Fred Richardson
281 Hillmount Ave., Toronto 19, Ontario
Professional Agrologist

Dated January 8th, 1965

Signed Fred Richardson.

ENABLING RECORD TO ONTARIO PENSION

Fred Richardson, 281 Hillmount Ave., Toronto 19, Ont.

Summary of Detail and Period Involved

Professional Training: Ontario Agricultural College, University Toronto Degree B.S.A., Graduate Studies Fellowship 1926-31

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1937: High School Superannuation Fund (2 yrs.) $150.00.

1947-48: Agriculture—Civil Service Agriculture Poultry Nutrition, Plant Products Inspection Retirement credits withdrawn.

1948-61: Production Elevator Assistant Collective Labor Over 45 years. Agreement Canada Malting Co. Ltd., 6 Bathurst St. Option Pension withdrawn. Toronto Income Tax payments $3,700.00.

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1956-62: Operation of Her Majesty The Queens Toronto International Airport Property Lot 9 Concession 4 Toronto Twp. acquired as a personal interest for Professional interests and pursuit product development and cash crop production visioned as a thereafter year to year activity extending into retirement years, but unfortunately required for runway purposes by notice of Secretary of Department of Transport Nov. 1st., 1962. Claim for compensation as a maintenance service and rent and tax payments made to Department of Transport Malton Airport Managers and Real Estate Office also interest on operating agreement Re-finance Mortgage Canada Permanent Mortgage Corporation 320 Bay St. Toronto Mortgage Refinance No. 75438T records previously submitted through Prime Ministers Office with claim for compensation for balance of moneys not recovered in operation for maintenance service of land rendered during the course of agreement as terminated. Parity price submission and Claim for a fair compensation for the period for the service rendered to Department of Transport as outlined by agreement Lease *Expropriation* Lease No. 61544 as previously submitted and renewed to Dept. Transport. Claim January 1st., 1965. Cost plus 10% basis for social Equity Security, $2,300.00. Parity price to balance earnings for fair equity in security of Investment Stabilization, $1,900.00.

Consolidated Total

Of the amounts listed the Department of Transport received direct payments to the extent claimed $2,300.00. It is further claimed that the $1,900.00 Parity item is a fair security right for the operation as a sound economic right. The proportion of the Income Tax payments fairly available for Social Security adjustment is a matter of much speculation. The personal asset claimed in Family Estate I am willing to pledge as a part of the optional or portable retirement right at 65 on December 27th, 1965. I feel that this is a fair representation for the circumstances. It may now be advisable to accept a retirement at 65 settlement in view of the representation of fact which everyone is or has the challenge or pleasure to anticipate at this time.

Fred Richardson.

MINISTER OF FINANCE, REVENUE, HEALTH REPRESENTATION

Canada Pension Plan Committee
Parliament Buildings
Ottawa Canada

Minister of Revenue $3,700.00
Accumulated Income Tax payment

Brief on the Right to Optional Credits and Retroactive Credits at inception of Plan, January 1st, 1966 (proposed)

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These interests in many cases were visioned for the pursuit of an active retirement between the age of 65 and 70 years. It is evident that pressure of progress is weighing against the appropriate completion of many of these personal interests, at least on a scale visioned by those of modest reserves within this age group.

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It is presumed that the ratio of those enrolled in specific Pension plans and annuities will constitute approximately 50% of the retiring ranks for the period 1965 to 1970. It is also presumed that many have previously planned an active and appropriate interest and right until attaining the age of 70 years. There probably exists at least some close reality between physical capacity, training and personal adaptation which previously forecast the participation of a greater number of individuals in active pursuits. Personnal pressure and opinion is no doubt limiting this trend.

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281 Hillmount Ave.
Toronto 19, Ont.
Professional Agrologist

Dated Jan. 8th, 1965.

Signed Fred Richardson

Personal Records Fred Richardson

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Fred Richardson.

LABOUR

to Attention Agriculture and Forestry
representation (Stabilization)

Canada Pension Plan Committee
Parliament Buildings
Ottawa Canada

$1,990.00
Personal Financing
Parity Price Deficiency toward Annuity Interest
Payments on Mortgage Finance Period June 1956 to Nov. 1, 1962

Brief on the Right to Optional Credits and Retroactive Credits at inception of Plan, January 1st, 1966 (proposed)

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Fred Richardson.

LABOUR AND SECRETARY OF STATE (detail)

Trust Annuity or product development

representation

Canada Pension Plan Committee
Parliament Buildings
Ottawa Canada

Personal (additional)
Proposed Trust Adjustment added to Mortgage Agreement June 1966—$1,500.00
(Life Insurance—Balance of Life Interest *agreement*) Family Estate—records of agreement.

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Fred Richardson.

376 Piccadilly Ave., Ottawa, Ont.

Senate-Common's Committee—Pensions

Gentlemen:

With the new pension plan being adopted by the Liberal Government, I am worrying that a further deduction will be taken from our low civil service widows pension. Did you know that there are 4000 widows of former civil servants on pensions less than $55.00 a month. We received an increase of 12% in 1957 from the conservative government the only increase since 1941 never any assistance from the Liberal government. I would like to see the pension equal to the old age pension $75.00 a month. I am not entitled to that pension yet. I will state my case. My husband died on July 25, 1941 at 46, he was in the same department P.O. for 27 years, grade 4 in 1941, a widow had to pay income tax on the whole of the accumulated amount of superannuation amount was $3,999.00 the income paid on that one cheque was $820.00 in 1941. I also paid succession duty, funeral, lawyer fees the annuity was returned to the estate. After everything was paid up I had to live on a pension $42.66 a month now in 1965 it is $52.51 that is counting for hospitalization plan.

A grade 4 widow's pension is $190.00 a month now. I would like mine brought up to $65.00 or $75.00 a month then I wouldn't have to worry about the last week in the month.

The war widows have had 4 increases since 1958 mother's allowance is $85.00 a month, a minister's widow gets $75.00 a month.

Please do not let them deduct any more from our pensions.

My husband was James Alexander Macdonald of the Post Office Department. Died at 397 Nepean St., Ottawa. My name is Margaret Evelyn Macdonald, 376 Piccadilly Ave. No. 1594 Superannuation. Thanking you in advance for investigating for the widows.

(now.4335)—4407 Torquay Drive, Victoria, British Columbia

Wed. Dec. 16th, 1964.

To:

The Secretary,
Joint Senate-House of Commons Committee on the
Canada Pension Plan
House of Commons, Ottawa, Ontario.

Dears Sirs,

The enclosed list of names are from people in Victoria, B.C. who have been reading the official report of Wednesday, November 18, 1964, of the House of Common's Debates.

I myself have added my name to this list.

A lot of people expect the full $75.00 pension at 65 years, this seems to be taken for granted by the people as it was *definitely* given in the *Liberal's promise at this last election.*

The pension for those over 70 years should now *definitely* be *fully* portable, and *Not partial,* for those who need to join relatives in U.S.A. or England etc. in the eventide of their life—same as other countries, people should *Not* be *deprived* of their rightful pension at that age and it is full time that this hardship on old people, this *cruel* hardship should now cease.

I remain

Yours faithfully,

Mrs. G. Steele.

Sunday, December 13/64

The names on this list are of people of the 65 and over 70 years group who are anxious about the full portability of the old age pension and payment of $75.00 at age 65 years.

Mr. and Mrs. G. E. Fountain, 1610 Blair Ave., Victoria; Rev. M. Nennan, 712 Yates St.; Mrs. Violet Stofer, 712 Yates St.; R. Harris, Panama Cafe, Government St. Victoria, B.C.; C. Murray, 767 Sinkleas Ave.; Mrs. C. L. Murray, 767 Sinkleas Ave.; Mrs. Florence Hall, 1500 Fort St., Victoria; R. Smardon, 446 Moss St., Victoria; Edith I. Smardon, 446 Moss St., Victoria; Mary A. Sharp, 1150 McCleere St., Victoria; C. A. Barkhouse, 2875 Glen Lake Road; H. F. Orchard, 3025 Pandora Ave.; D. Harris, 5792 Old West Road; M. C. Reynolds, 1489 Fort St.; G. Steele, (late of 4407 Torquay Drive, Victoria, B.C. (now) 4335 Torquay Drive, Victoria, B.C.; Eileen B. Bastone, 1728 Kenmore Road, Victoria, B.C.; Laura K. Bastone, 4335 Torquay Drive, Victoria, B.C.

1390 Transit Road, Victoria, B.C.

November 23, 1964.

Right Honourable L. B. Pearson,
Prime Minister of Canada,
Ottawa, Ontario.

Right Honourable Sir,—

Collectively and individually retired civil servants are justified in resenting your recent refusal to grant them increased pensions. Proud to have served in the Federal Civil Service for forty years, and just as proud to be a retired one for seven years, I voice this opinion in protest to your decision and the reasons for it.

When persons become civil servants the privilege to contribute to The Superannuation Fund is part of the employment contract. They expect it to provide for future years, and if individuals consider it insufficient, an additional amount may be provided, within means, by contracting other available sources, thus providing a satisfactory security. The Superannuation Act is a good one; the problem is that the sum provided in to-day's coin is a diminished dollar. What was adequate at the time of the contract is to-day inadequate. It was paid for in "dollars" so the employees expect "dollars" in return. Surely you do not need to be told that the sum expected has not the same purchasing power as when contracted for.

You suggest, quite wrongly, that the Old Age Security Pension is something to help the retired civil servant. Not at all, Sir; all persons irrespective of private pension systems, or personally provided for security, on qualifying and applying, receive Old Age Security Pension. The civil servant contributes to this through Income Tax. It is paid at age seventy; if it were paid to a civil servant at age 65, then that would be a "special concession".

You also suggest, Sir,—quote from your letter dated Nov. 10, 1964,—"As well as other measures taken by the provinces to meet the situation of those in need." Do you suggest that having purchased an income under a satisfactory Superannuation Act, that a civil servant should be so stripped by the "diminishing dollar" as to have to apply for welfare assistance? Truly, it could come to that, but one would hardly think so when he has a tangible asset in $1 billion, $900 million dollars which he has helped to accumulate in his working days.

When our dedicated, and they are in every sense of the word, members of parliament were voted handsome increases, the privilege of other measures of assistance could have been extended to them, so there was no need for improved stipends.

True, current civil servants retiring, naturally, due to economic changes, receive higher pensions. A cyclical amendment to the Superannuation Act would forstall continual reoccurrence of the present problem. However, Sir, do you consider a recent retiree more valuable than one already retired for some years? A quick example in approximate figures, is a clerk grade 4. An employee in this grade retired in 1945, having 35 year's service, received $112 per month,—the other receives $280 per month. True, there was an inadequate improvement made by the Pensions Adjustment Act of 1958. Along the line gradually salaries increased, thus providing better bases, but far from the present day salaries. "Parity" is the only just solution here.

Government continually emphasizes that the Superannuation Act is actuarially unsound. This is questionable. The basis for this statement is complex.

However, granting acceptance, is it not government duty to ensure that it is made actuarially sound by suitable amendments? Perhaps it requires increased rates of contributions? It would seem so. If pensions may be bought at the same rate to-day as formerly, it is about the only thing that has not increased in cost. Furthermore, besides the increase in the cost-of-living, Sir, you also have to note that "standard-of-living" has gone up, and I respectively suggest to you, Sir, that all Canadians, old and young, are entitled to share in this better way of life. Your Old Age Security Pension is the bullwark here.

Would you expect, Sir, that veterans of the first world war, who were granted $60, or so, per month pension should still receive the same? True, Canadian taxpayers want veterans to have the very best pensions the citizens can possibly grant,—but in the case of civil servants, the taxpayer plays no part, for they have an adequate asset on hand in their own fund. They ask nothing on compassionate grounds. If government has not paid in all its contributions, such as those on recent salary increases, or interest credits, that you must agree is a serious matter. I refer you to the Glassco Report.

The foregoing, and much more, very much more, could be written on the subject of pension increases for retired civil servants, but this is sufficient to allow me to register a protest to a decision so falsely based. I might say, that not long ago Mr. Pickersgill expressed in parliament the same sentiments contained in your letter. It seems, he also, thinks his constituents who were not federal civil servants, would be discriminated against. He too, should seek to be better informed.

The "reflection" you recommend has not served to convince superannuates of the rightness of your decision, but has rather stimulated their efforts to improve pensions; and for this, who else should be looked to, but The Prime Minister of Canada and his government.

I am, Sir,

Yours respectfully,

(Miss) Mary T. Roberts.

727 Westmoreland Crescent North Vancouver, B.C.

December 8th, 1964.

House of Commons and Senate Committee
on the Canada Pension Plan
Ottawa, Canada

Sirs:

We reacted with utter shock and disbelief, as we are certain every other Canadian citizen reacted, who is truly concerned with the problems of all of our handicapped citizens, and who honestly believe in the principles of equal rights and privileges for each and every citizen, to the official pronouncement in the Press of the Government's proposed new pension scheme.

The Federal Government has recognized its responsibility to and taken a realistic stand in respect to the needs of the Veteran handicapped, while demonstrating a callous indifference to the same needs of our civilian handicapped.

The great disparity in treatment between these two groups of our citizens, the Government now proposes to widen even further.

Let us briefly state the comparison based on information obtained from the D.V.A. and individual veterans in receipt of allowances. A blinded or visually handicapped veteran, receives a disability allowance proportionate to and based on the degree of physical disability, subject ONLY to a medical assessment, subject to *no* financial means test of any kind or ceiling placed on any possible additional earnings. The basic full disability allowance for veterans of $75.00 per month for a single person has been steadily increased over the past twenty years because of the *civilian cost of living index rise,* to the present $180.00 per month. In *addition,* the blinded veteran can apply for the attendance allowance, a minimum of $40.00 up to $150.00 per month, again the sole condition being his physical need. A married veteran *in addition* to the above, receives $60.00 per month for his wife; $27.00 for 1 child; $20.00 for the 2nd child and $16.00 for each additional child. The new regulations will add an across the board increase to the above veteran allowances of 10%, with provisions for an upward revision every two years.

In contrast to this, the Federal Government is offering to the civilian blinded (only those in receipt of the Federal Blindness Allowance), an increase of 1/100%!! or 75¢ per month, effective in three years, 1968, and then only if the cost of living index has risen 1%, with a maximum raise of $1.50 per month regardless of how high the cost of living index rises! Surely this can only be construed as a cruel, sadistic joke on one section of our citizens, and is an incredible and completely incomprehensible act on the part of our senior governing body.

Furthermore, in the application of the Means Test, pensions and allowances are considered as income; those in receipt of even the minimum $75.00 per month would be subject to the Compulsory Contributory Pension Plan. What of the individual who is unemployed and whose sole income is his pension, is he classed as self-employed? Is he therefore required to contribute the full 3.6%? His pension, instead of being increased, will, in fact, be reduced by the amount of his compulsory contribution.

It is obvious that the Federal Government, in granting the above veterans' allowances, considers, and indeed, acknowledges that these amounts are necessary to maintain a person on a basic minimum standard of living.

Now let us examine and compare the situation of a blinded civilian brother or neighbour. The civilian handicapped are, at present, dumped into the discard bin along with the aged and retired. To be eligible, a civilian must be medically certified as totally blinded (less than 10% vision with correction in the best eye), no proportionate pension for loss of one eye, etc., subject to a very stringent financial Means Test.

For single pension—*maximum* Federal Allowances—$75.00 per month, plus Provincial Grant of $24.00 per month, a total of $99.00 per month. *No* attendance allowance of any kind. Maximum permissible value of *ALL* real property—$500.00; maximum permissible income *from all sources, including pension*—$125.00 per month. NOTE: Please refer back to single *veterans* allowances.

Married civilian blinded—same medical requirements as above, and financial Means Test. Maximum Federal Allowances—$75.00 per month; Provincial Grant—$24.00 per month—Total maximum allowances—$99.00 per month. No allowance for wife—no allowance for one or a dozen children. Maximum permissible value of *joint* real property—$1,000.00. Maximum permissable income *from all sources, including wife's earnings* etc., and including pension—$215.00 per month. (Again refer back to and compare married *veterans* cash allowances plus limitless potential added income!!)

We are certain you will agree that the primary purpose and moral justification for any blind allowance is: by recompensing a blinded person for the loss of his sight, an attempt to equalize, in an economic sense, the possibility of

competing in our private enterprise society, not to force him to exist at a sub sub-normal level as a perpetual charity case at the expense of the Public or as a sponge and parasite living on the earnings of his wife or family.

From the above figures it is apparent that no restrictions are placed in the way of the blinded veteran from bettering his position and to be a contributor to the benefit of society as a whole. Surely it could only be to everyone's advantage to place the civilian blinded in this same position by—(a) removing the financial means test from the civilian blinded and *(b)* by raising the civilian blinded allowance to the same level as the veteran's.

On what grounds can any government, which proudly and loudly proclaims to the rest of the world that it is a government for and by the people, with equal opportunity and treatment for each and every citizen, possibly defend or justify this obvious discrimination? Moral? Humanitarian?

If the considerations are financial, may we point out that every tax dollar spent on such pensions, goes right back into the general economy of the country, helping to keep the wheels of production turning. We would also suggest that a uniform pension scheme, encompassing all veteran and civilian disabled, administered by a single Federal Agency, would greatly simplify the administration. The ensuing reduction in duplication of Federal and Provincial costs etc., would result in a very large savings. These savings would then be available for direct application for the badly needed benefits of our disabled citizens.

We are, of course, aware of the ready reply—"The veteran sacrificed himself in the service of his country and his country therefore owes him something." Need we remind you, gentlemen, that in both world wars *total* mobilization of manpower was effected? The Government determined when and where every citizen was to serve his country, in the armed services or in industry, and many of us volunteered to serve our country on active duty, but, because of some physical defect or because the government decided we could serve better in a civilian capacity, we were not permited to do so. Need you also be reminded that without these non-military services, there would have been no Army, Navy or Air Force, and that many civilians became disabled, blinded and even lost their lives in the performance of these non-military services to our country. Are our civilian handicapped and blinded not then also entitled to equal concern and privileges?

No, gentlemen, there is no legitimate grounds to justify this great disparity, and until it is rectified, all our country's claims of Democracy and Equality are a sham and an hypocrisy, and will continue to be to the discredit and same of each and every member of our present Parliament and Government. We are all aware of the rapidly awakening and changing humanitarian and social consciousness and responsibility in the entire world. It should be self-evident that to-day, (20 years after the war), the needs and costs and problems of everyday living are the same for all categories of handicapped, civilian and veteran. You, the Government, may choose to ignore the plight of the "civilian" handicapped, but be assured that their cries will not be stilled, but joined by ever increasing numbers of citizens with a consciousness and sincere compassion and concern for their more unfortunate neighbours, will magnify, eventually disturbing even your sleep.

In conclusion we sincerely hope that you will give this your most serious consideration and reappraisal, to what we consider a badly needed and just demand.

Respectfully submitted,

John Cheadric, for
THE ACTION COMMITTEE FOR THE ADVANCEMENT OF THE BLINDED
per Norma McGuire,
Acting Secretary

CAMPBELL, LAWLESS & PUNCHARD

Chartered Accountants

159 Bay Street, Toronto 1

January 5, 1965.

Mr. Maxime Guitard,
Clerk of the Special Joint Committee
of the Senate and of The House of Commons,
Ottawa, Ontario.

Dear Sir:

I have followed the progress of the Canada Pension Plan from the inception of the idea and have read the proceedings of the joint committee with a great deal of interest. I am sorry that it did not occur to me until yesterday that I should put my thoughts in writing to the joint committee and on the urging of some friends I have agreed to do so as a private citizen.

During my professional practice extending back to 1937 I have observed the progress of the growing complexities of doing business particularly in the areas of taxation and I have sometimes become alarmed that so little concern seemed to be shown for the record keeping and accounting problems that have been heaped on business in trying to cope with government ordained procedures and information requirements. In my view this has become a very serious situation particularly for the medium and small sized businesses who cannot afford to employ the skilled personnel needed.

I have become fearful that the average small business man will have great difficulty in complying with the contribution collection and record keeping procedures which it appears it is the intention of the government to impose. Many businesses pay wages a week in arrears now because of the problems of making up a payroll with multiple deductions and I could visualize payrolls being backed up another day or maybe more by the complexities of the Canada Pension Plan contribution deduction procedures. It occurred to me that the Canada Pension Plan presented the federal government with a wonderful opportunity to reverse this alarming trend. I thought last March when I was studying Bill C-75 why would it not be possible to merge the collection of income taxes and pension contributions?—Why could not the federal government gain the undying gratitude of businessmen by putting in the Canada Pension Plan in such a way that employers would not be involved in a tremendous amount of additional record keeping and administrative procedures? The more I thought about it the more I became convinced that such would be practical.

I think that a tremendous amount of additional payroll administration work by employers could be avoided if the collection systems for income tax and pension deductions were to be based on composite payroll deduction tables, including in one amount for each pay bracket, a deduction to cover personal income tax, old age security tax and Canada Pension Plan contributions. A modified concept of the settlement of the liabilities to government also would be required

Canada Pension Plan contributions are geared to individual's earnings in each calendar year and, in much the same manner as income tax, each year is to be dealt with separately without relationship to earlier or later years. No employee contributor will have any serious concern during a year as to dif-

ferent amounts included in the total pay deductions which would be merged in such composite tables. He will be satisfied when he prepares his personal income tax returns, which would also include the computation of his pension contributions, to see the amount of his income tax for the year, the amount of his pension contributions for the year, and the total amount withheld from his pay on account of his total liability for both tax and pension contribution together. He will have no concern as to how much of the balance payable by him or of a refund due to him is made up of income tax and how much pension contributions. He will be perfectly satisfied if the government chooses to merge the settlement of these accounts. Conceivably, he would be pleased to have the full record of both his tax and pension contributions related to his income contained in a copy of his personal income tax return. If he knew that his pay was not going to be backed up another day he would be delighted.

From an employer's standpoint virtually no additional procedure would be required from him except once a year upon preparation of his annual return of salary and wages. The employer too will be delighted to avoid additional payroll operations. The use of composite payroll deduction tables per se however, would not provide employers with an easy way of determining employer contributions month by month during the year if such must be precisely computed. I believe that this difficulty can be avoided by a system of monthly interim payments on account.

Monthly interim payments could be made on an estimated basis in a manner similar to the system of making interim payments in respect of corporate income tax or on some flat rate basis. To enable the greatest simplicity of operations I would suggest that a single flat employer contribution rate be established to be applied by each employer each month to the total of all salaries and wages paid by him to persons in pensionable employment, excluding from such total only such amounts as are in excess of pay rates which are the pay period equivalent of the year's maximum pensionable earnings. This flat rate would be struck at such a level as would provide the Canada Pension Plan Fund from all employers together with approximately the same amount of revenue for the month as the total of all employee contributions together. I would guess that 1½% would provide more than the employee contributions.

While there is merit from the standpoint of simplicity in a system which would require such a single flat employer contribution rate without any subsequent adjustment, it is appreciated that the incidence of such would fall more heavily on the employers of persons in predominantly low pay occupations which would make is unacceptable. I am, therefore, suggesting that the proposed flat rate would be used at interim dates throughout the year for the purpose only of computing the employer's monthly remittances which would be applied on account of the year's total employer contribution liability. The employer's actual liability for the year would then be computed at the time he prepares his annual return of salaries and wages. One additional box only would be provided in the T4 return in which would be recorded an amount which is the excess of the individual employee's pensionable earnings for the year over the year's basic exemption. These amounts for all employees would be totalled, the total inserted on the T4 Summary and the employer's actual liability for the year would then be computed at 1.8% of such total. This would yield the Canada Pension Plan Fund exactly the same amount as under the detail deduction procedures which are apparently now proposed. Any differences between the employer's actual liability so computed and the total of his monthly remittances in respect thereof would be settled when filing his annual return, either by the employer remitting a deficiency or by the Department of National Revenue refunding an overpayment.

This collection system will cause employers very little additional payroll administration, viz, 13 computations a year, the issuance of 12 or 13 additional cheques a year and the insertion of one additional figure per employee in the annual return of salaries and wages; in contrast to the heavy additional cost to employers of full accounting for pension contributions month by month for every employee. The methods apparently proposed by the Department will take as much extra time as is now required to account for income tax deductions. This suggestion would enable employers to deal with Canada Pension Plan contributions with virtually no extra cost.

The system suggested should also be simpler for the Department of National Revenue. The Department would not be required to settle separately from income tax accounts, their accounts with individual Canada Pension Plan contributors. From a mechanical standpoint the employee contributions would simply be an additional levy, like the Old Age Security tax, to be computed on the basis of annual personal income tax returns. Combined accounts for income tax and pension contributions would then be assessed and settled just as income tax is now settled.

The monthly collection of combined income taxes and employee contributions would be allocated for the purposes of government accounts on an arbitrary basis during the year and such interim allocation would then be adjusted the next year when personal income tax returns have been processed.

The Record of Earnings would be prepared from the employers' annual returns of salaries and wages and the amount of an individual's Canada Pension Plan contribution for the year, if such datum is needed, would be recorded for the purposes of the Record of Earnings, in the amount required by the statute determined by computation rather than by the elaborately detailed process of accounting for very little bit of deduction made each pay period through to a total reported on the T4, which total in any case would have to be checked.

I am deeply concerned that every possible effort will be made to enable simplified administration in employers' offices. I believe that if the concept of composite payroll deduction tables is established in the context of income taxes and the Canada Pension Plan contributions, it will provide the basis for further simplification in future with respect to other government operated contributory insurance schemes.

No doubt at least some of the ideas expressed here have been thought of by the officials of The Department of National Revenue but as I did not see much evidence in the proceedings of this kind of thinking, I thought it would not do any harm if I set out my thoughts. I submit them with great respect.

Yours very truly,
(Sgd.) F. W. D. Campbell

OPEN LETTER TO THE CHAIRMAN OF THE COMMITTEE ON THE MERGER OF THE PUBLIC SERVICE SUPERANNUATION ACT WITH THE CANADA PENSION PLAN

The rank and file of government Civil Servants have been lulled into a sense of false security by the attached article, clipped from the December issue of Argus, dealing with a proposed merger of funds from the Public Service superannuation Act with the Civil Service Contributions to the Canada Pension Plan. This article is both misleading and deceptive.

The statistics on which it is based (page 2) give the benefits of a civil servant under the present Superannuation Act and compared them with the benefits to be derived from the *combined* Superannuation Act and the Canada Pension Plan. Naturally no matter how you juggle these figures the Civil Servant comes out ahead.

The proper basis for comparison of the proposed set up is the benefit the Civil Servant would receive under the present Superannuation Plan *Plus* the set sum he would receive in a year from the present C.P.P. as compared with the amount he would receive from the proposed merger.

If you will ascertain from the officials of the C.P.P. what the yearly sum a civil servant would be entitled to at age 65 and *add* this figure to Item 6 of the statistical table on page 2 of the article, I think you will be unpleasantly surprised to find that rather than gaining from the proposed merger lower paid civil servants stand to take a decided loss.

When the Federal Government first announced the proposed C.P.P. with its set benefit to all Canadians regardless of salary level, certain senior officials in the Government Service were highly incensed. They felt they should get a larger share of the pension dollar and the lower paid civil servants correspondingly less. This proposed merger of the two plans is apparently their endeavour to administer the C.P.P. funds on a percentage basis. Under this plan the proposed 2% portion of the C.P.P. funds, based as it is on a corresponding much lower salary level, will result in the junior civil servant receiving only a fraction of what he would receive under the present government set up. On the other hand the senior civil servants portion of the C.P.P. funds, based as it would be on proportionately higher salary levels will probably exceed considerably what they would be entitled to under the present C.P.P. plan.

The larger pension payment to senior civil servants would entail more funds in the C.P.P. pot, so to meet the deficit and make the fund actuarially sound they intend to transfer a portion of the benefits of the Civil Service Superannuation Act fund to the C.P.P. fund.

This will mean that not only will the junior civil servant receive substantially less as a benefit from the C.P.P., but the benefits which are his under the C.S. Superannuation Act will also be cut from 2% to 1⅓. The moguls of the Civil Service will indeed be a privileged class drawing a C.P.P. allowance much larger than any other group in Canada.

Once the funds of the two acts are merged a Civil Servant will have no means of knowing what he is receiving under the C.P.P. and the swindle will be complete.

I would earnestly and sincerely urge you to do everything you possibly can to prevent this proposed bill from becoming law in Canada, as it would represent a grave injustice to thousands of junior civil servants both now and for many years to come.

Yours very truly,

(S) (Miss) M. E. Campbell.

283 Somerset St. West, Apt. No. 2.,
OTTAWA, Ontario.
December 10, 1964.

MR. M. GUITARD CLERK TO THE SPECIAL JOINT COMMITTEE OF THE SENATE AND HOUSE OF COMMONS OF THE CANADA

PENSION PLAN

House of Commons, Ottawa, Ont.

We understand that your committee has received a submission from the united fishermen and allied workers union of British Columbia in which they propose that for the purposes of the Canada pension plan fishermen should be regarded as employees of the person to whom they sell their fish. The members of this association wish to go on record as strongly opposing this proposal. Fishermen are not employees of the persons to whom they sell their fish. Therefore they are correctly covered by those special sections of Bill C-136 dealing with farmers fishermen and other self employed persons. We would welcome the opportunity to present to you in greater detail our reasons for regarding and treating fishermen as self-employed persons.

K. Campbell, Secretary Fisheries Association of B.C.

100 Argyle Avenue

Ottawa Canada 232-4293

February 5, 1965.

Hon. Senator Muriel McQ. Fergusson and A. J. P. Cameron, M.P.,
Joint Chairmen,
Special Joint Committee of the Senate and of the House of Commons
on the Canada Pension Plan (Bill C-136),
Parliament Bldgs.,
OTTAWA, Ontario.

Madam Chairman and Mr. Chairman:—

Our attention has been drawn to a brief submitted to your Joint Committee by the Federal Superannuates National Association, an organization representing a very considerable number of retired civil servants and the widows of retired civil servants in receipt of benefits under the Civil Service Superannuation Act. We have read this brief with a good deal of interest and sympathy and our purpose in writing is to indicate to you the support of the principle involved in the submission by the Canadian Labour Congress.

I do not propose to deal with the data contained in the submission nor with the specific arguments made in it. Our main reason for writing is to indicate our agreement with the proposition that superannuation benefits should be protected against the erosion of price increases so that the real purchasing power of the beneficiary may be maintained. As the Association's brief points out, in a considerable number of instances the benefit rate is very low by present day standards even without regard to price increases. Taking into account the fact that some of these benefit rates were established years ago and their value has been reduced over the years, the situation of at least some of the beneficiaries must be critical and they must undoubtedly have to rely on other sources in order to have an adequate income.

One of the significant features of Bill C-136 is the provision that the retirement benefit and the supplementary benefits will enjoy some degree of protection against the forces of inflation. In view of the fact that this important principle is to be embedded in the legislation, it seems reasonable to suggest that the Government of Canada as an employer should apply the same principle to its own retired employees and to the widows of such employees. It is on this basis that we support the submission made by the Federal Superannuates National Association. We trust that the Association's submission and this letter in support of it will receive your sympathetic consideration.

Yours very truly,

(S) Claude Jodoin,
President.

CJ:MC

12682 Crescent Road, Crescent Beach, B.C.

February 4th, 1965.

The Chairman,
Joint Senate-Commons Committee
on the proposed Canada Pension Plan,
Ottawa, Ontario.

Dear Sir,

May I be allowed to offer my views on two points, in respect to the proposed Canada Pension Plan; which I trust will receive your Committee's consideration at this time.

1. If the contribution from the employee and/or the employer, is to be compulsory; would not a flat rate of pension at a given age, be a more equitable method of payment? It does seem to me that if there is no choice but to contribute, then regardless of the income at retirement, the contributor should receive what his savings have bought in the way of pension. In the plan presently proposed, I have heard that if the income at retirement is over $2100 per year, no pension would be payable. Surely a man or woman, having paid for the years through to retirement is entitled to receive full benefits for his contributions? Do you not agree, that the person concerned would be better off, to take the same money and put it in some other savings scheme for his old age; if at retirement his income through his own efforts, happens to be more than others who have not bothered to save as they went through life. If such is the intention of the Plan, then we are definitely putting a penalty on thrift!

2. The number of people in Canada, must be considerable, who through their date of birth being too soon (a matter over which they had no control), will either receive a much reduced pension, or none at all. Is it not possible for the actuaries to work out some method whereby this adjustment could be made; in order that these oldtimers would not be penalised?

I thank you for having read this letter, and hope your Committee will give favourable consideration to my suggestions!

Yours truly,
(S) Leslie C. Johnson (Mr.).

COMMUNIST PARTY OF CANADA

National Committee

24 Cecil Street, Toronto 2B, Canada

February 5, 1965

The Chairman,

Special Joint Committee
of the Senate and of the
House of Commons on the
Canada Pension Plan.

Dear Sir:

1. The Communist Party appreciates and supports in principle the passage of the Canada Pension Plan. Such a Plan is long overdue in a country so blessed with natural wealth, an industrious people and high productivity as Canada.

The Plan must be proclaimed and put into operation at the earliest possible moment.

2. We are mindful of the fact that powerful interests, notably the great insurance firms, are striving to undermine the effectiveness of the Plan, undercut its benefits to those most in need of retirement payments, and to restrict its coverage of the population.

The Communist Party unequivocally opposes all attempts to whittle down or emasculate the Canada Pension Plan.

Rather, the Communist Party takes its stand with all those who desire, and who have argued before your Committee, for the improvement of the Plan in order that it should serve better the interests of the general public.

In this sense we wish to take this opportunity to convey to your Committee our general support of the brief submitted on the Canada Pension Plan by the Canadian Labor Congress on behalf of the working people of our country whose interests the Plan should serve.

3. The Communist Party proposes that the Canada Pension Plan be amended to provide for: (a) universal coverage without exception, providing a supplementary payment to all who have reached pensionable age of one hundred and twenty-five dollars ($125.00) monthly to the basic pension presently standing at seventy-five dollars ($75.00) monthly. (b) the reduction of the pensionable age to sixty-five (65) years for men and sixty years (60) for women. (c) no means test in any form.

4. We propose further that: (a) proper safeguards be inserted into the Plan to protect fully the pension rights and payments of all citizens covered by industrial plans such as those won by the trade unions and covered by collective agreements between union and management; and other plans of similar nature where no collective agreements exist. Such plans are in actuality workers' savings derived from wages and incomes and must be protected as such and not infringed upon in any way by the Canada Pension Plan; (b) the Canada Pension Plan must in no ways whatsoever impinge upon the basic pension presently standing at seventy-five dollars ($75.00) monthly in respect to the possibility of the passage of legislation to increase the basic monthly pension payment.

5. Attention should be paid by the Committee to improve the following short-comings in the Plan: (a) to amend the funding provision for a substantial cut-back in order to decrease contributions now demanded under the funding provided for in the Bill; (b) to amend the Plan with the view of decreasing that part of the contributions paid by employees in relation to that paid by employers.

In conclusion, may we state that the Communist Party takes its stand on the position that the receipt of a pension, commensurate with the requirements of an adequate standard of living measured by what the resources of our country can provide and today's accepted standards, is the democratic right of every citizen reaching retirement age.

Signed:

COMMUNIST PARTY OF CANADA,

National Executive Committee,
Communist Party of Canada.

BRIEF SUBMITTED BY: EARL SAGER,

R.R. No. 2, Madoc, Ontario

May I at the outset be permitted to give you a brief account of my position. I live on Lot 13, Con. 9, Madoc Township, Madoc, Ontario. I was Reeve of Madoc Township for 11 years from 1952-62 inclusive and was Warden of the County of Hastings in 1960. My brother and I are bachelors and farm together. We are in our 50's. I was brought up in an age when it was not fashionable to spend money for the simple reason that we did not have it. We supported an invalid mother for 17 years until she passed away 5 years ago. Given reasonable health we won't need Judy's Pension; not that we have been making even reasonable wages but we, like all farmers, have the choice of one of two alternatives, either put our earnings back in the farm, or move. We have chosen the first.

For your calm and reasonable study of this question and what must be a courageous report I would like to take this opportunity to thank you not only on my own behalf but for all those many people all across Canada who will pay, pay, pay, indirectly of course, into this fund without a chance of ever receiving either credit or benefit; and also for the many more people who would, without realizing what they are doing, inflict another price squeeze on the struggling poor, be they individuals or industry and for which they alone will get credit. I am interested in this scheme because I despise deceit and hate injustice. In my opinion, from start to finish, this thing has been and is still, saturated with both. Sincerity is a virtue supreme; without it all others are tinged with shame. With it shortcomings in others may be lessened or overlooked. Without it conscience leaves the human frame and without conscience there is no guide between right and wrong. Justly or unjustly, the people of Canada from the Atlantic to the Pacific are more and more of the opinion that to such depths has sunk Canadian party politics and are crying out "Shame, Shame", to the very words.

The word "contributing" used in this way and hailed by the press as something heavenly new in social security less than two years ago, is not new, never has been more than a shadow of the true meaning that was intended, and the press realizes that now.

This is my opinion now and always has been and if you sincerely think that I am mistaken in this opinion I perhaps can add nothing more that is new to the criticism of this plan. I certainly cannot delete any from previous briefs because I sincerely think that in a democratic and Christian country there is not now nor ever has there been any good in it. It was intended for a vote catching scheme from an unsuspecting people gripped with the mania of something for nothing idea.

Free enterprise, personal responsibility and discipline and democracy with its freedoms and individual rights are inseparable. Even in the face of this basic fact party politicians are more and more promising the vision of life without enterprise, without responsibility and without discipline and at the same time keep our democratic rights and freedoms.

Gentlemen, we may be riding the crest; we may not even be approaching the crest of a combined socialist democratic state but continuing in our present way, we or future generations, will most certainly reach that crest and go over. We cannot forever hope to acquire all the advantages of a socialist state (and there are benefits) and not acquire the disadvantages. That we can is perhaps the greatest and most dangerous illusion of our time and the men who encourage state security rather than encourage individual security through ownership in Canada and Canadian industry are more dangerous to democracy and all it gives than the atomic bomb. State security and democracy in the final stages will never mix.

The Canada pension scheme as set up is state security for the very people who are most capable from their positions of high earnings, to provide their own. I would like to say to you and to them that if they can't do just that, old age security will be available to them just the same as it is to the poor people who never had such a chance.

The plan has nothing for the older and those approaching that age. The answer is that they have contributed nothing, which is not correct. They will make their indirect contributions so long as they live and without doubt this is where the largest part of the contributions will eventually come from. I say further, that, the day will never come in a Christian and democratic land when the young owe nothing to the old. When and if that day comes we are no longer Christian and we won't long be democratic. That there never was a time when the young owe so much to the older. Social security with justice is not only desirable but essential, social security without justice and as a deterrent to self help, self discipline and responsibility is not only dangerous but wrong, terribly wrong. The Canada Pension Plan is most certainly both. There is no alternative to discipline in a civilized society. How do we want it applied? By state or by self? If the need for self discipline is to be sacrificed on the platform of greedy and competitive party politics just as surely will the need for state discipline arise.

The Canada Pension Plan as proposed is without question the most unjust, unnecessary and undemocratic step in this direction yet proposed. The *Globe & Mail* reported January 13th issue, business section, with the heading "Insurance officers call pension scheme everything but good". How could they conscientiously do anything else? "There is no good in it". It would not be tolerated in a completely socialist state, it should never have been considered in a democratic state. The brief from the insurance people will perhaps not be given the consideration that it should. The plan is cumbersome, unworkable and patched until no one understands it. There is only one honourable and courageous recommendation to be made—scrap it.

Efficiency is a word far too often applied to an industry or individual for no other reason than that they are in a position to pass on all costs and

retain a profit on the whole. Inefficiency on the other hand too often is applied to those who have failed not only because they were compelled to absorb their own costs but those passed on by the more efficient.

The pension plan fails completely to recognize the most dangerous obstacle to Canadian unity—the ever widening gap between the high and low income groups. If allowed to become law this plan will tend still further to create on the one hand a prosperous happy and carefree people and a successful industry, prospering not in spite of extra costs but because of these costs and their ability to collect profit on the whole and on the other people and industry sinking deeper into poverty, despair and frustration, and will become an insurmountable barrier to a united Canada. Not between French and English, not between Quebec and the supposedly more prosperous Canadian provinces, but between the haves and have nots from the Atlantic to the Pacific. The poor in Quebec already have plenty of company in the rest of Canada. The only difference, party politics have made a despicable issue in Quebec.

It is unbelievable that this monstrously unjust piece of legislation could pass second reading in the House of Commons almost without question. It is unquestionable proof of a weakness in our form of Government when 265 members could be so steeped in party political slavery and could be so choked in party caucuses that not one man would stand up in the House and tear this act to shreds and expose it for the fiendishly unjust piece of legislation that it is.

In my opinion there is only one courageous recommendation to be made by this committee to the House of Commons—scrap the Canada Pension Plan as proposed. As an alternative stall it at least until there is a complete report of the whole frame work of pensions by a judicial inquiry.

How far have they already impoverished the poor and enriched further the well to do?

May I also suggest that the criticisms and recommendations contained in the brief submitted by the Canadian Life Insurance Officers Association be given your most careful consideration.

Half truths can and often are the most dangerous form of deceit. How many if any of the 265 members in the House of Commons have the courage to dig out all the truth before it is too late. If this cannot and will not be done by the present parliament I would like to issue a challenge to every member to take it to the country, to the party conventions, spell it out courageously and clearly with all its hidden aspects; not glossed over as a vote catching scheme. The people of this country still have faith in their own ability to run their own business. They still have a love of their freedom and their rights and their intelligence is such that they know that only by sacrifice of these most precious privileges can they expect continued and unrestrained promises of security at government level. My faith in the Canadian people says that if this were done the proposed Canada Pension Plan would be cast into eternal fire and its proponents into political oblivion from which they should never have risen in the first place.

P. ACKERMAN, P.Eng.
P.O. Box 26, N.D.G., Montreal 28, P.Q., Canada

January 28, 1965.

Joint Parliamentary Committee
on Canada's Pension Plan,
Parliament Building,
Ottawa.

Dear Sirs,

Some 15 years ago a Joint Parliamentary Committee deliberated, at great length, on the then proposed Old Age Pension Plan in force today. It helped to create thereby a universal plan (including every oldster of the nation) and had it financed on a yearly pay-as-you-go basis.

They thereby blazed a new trail, as Canada became the only nation in the Western world which adopted these two principles.

The handling of the Plan proved extremely simple. All that a person needed to qualify for the Pension and receive it immediately was to prove having reached the specified age.

But the unfortunate drawback of this Plan is that the planners thought that the economy could not afford more than a pittance of a pension and only at an age (70) which many would never reach. (See Annex 2).

Because of this low pension allowance, a new plan is before you for consideration in an endeavour to raise the allowance.

The plan now proposed has reverted to the insurance principle. This principle is perfectly correct in the private insurance business. It is, however, utterly inadequate if applied nationally because it is very difficult to embody in it the social needs created by the economic changes of the Industrial Age.

Because of this switch to the insurance principle the presented plan has lost its universal character, its immediate applicability in full, as well as its simplicity. Instead of covering all oldsters of a nation, it covers only about 75 to 80%, according to various presented briefs. To some income-earners it is not applicable at all and to some others only in a limited form. Only those having started early to make their yearly contribution will be able to obtain the full pension benefits. Its handling become also extremely cumbersome. It also requires the build-up of a huge reserve fund.

Now, at the risk of being still misunderstood after 25 years crusading, I present you herewith my social-economic research findings.

These findings prove that by a proper appraisal of the Industrial Age we will be able to devise a plan as universal, as immediately applicable in full and almost as simple to handle as the existing Old Age Pension Plan. The Pension, however, would be fairer and far in excess of what the Plan before you is supposed to provide.

But this is possible only if we break with our traditional line of thinking, and learn to understand that the problem of the modern Industrial Age can only be effectively solved if we realize that Unemployment, Old Age Pension, and the Tax Reform have become an interlocked problem which must be solved concurrently by proper coordination: (Annex 1)

1. Unemployment in the modern Industrial economy is actually the sign of Superfluous Labor. It is a growing new segment of industrial society which we have to cope with.

2. A National Retirement Plan would retire enough active income-earners to make room for the unemployed and the yearly new crop of school-leaving youngsters seeking employment. This would ease the unemployment problem.

3. Retiring the income-earner at his attained net income seems to be the only sensible pension allowance in our modern economy of abundance. It would allow the pensioner to continue enjoying his customary standard of living to the end of his life.

   In practise such pension would be calculated by determining the average income of the individual income-earner for his official active service period. This average would then be multiplied with a "norm" factor to raise the pension value to approximate the income-earner's last attained net income.

   The war has proven that we can afford to provide such liberal pensions: 85% economically Active kept 15% of the nation's man-power in economic inactivity (war services) at normal salaries, besides producing the war needs.

4. But such liberal pension would only be possible by departing from the present archaic confiscatory tax system which keeps the government spending restricted to 10% of the gross National income.

   We would have to change to a regulatory Surplus Tax System which would reclaim all Government spent money from the production and trading channels and return it to the Government ledger, thus closing the Government's money circle. This would allow the government to take on the new financial responsibility involved in the advocated Pension Plan, the cost of which would be far in excess of the present restricted 10% spending limit.

   Here again the war has proven this to be feasible. During the last war the government expenditures grew to be close to 50% of the gross National income.

By adopting the proposed measures, the natural life process of the Nation would not be disturbed: the income-earner, when young, would continue to be actively engaged in the Nation's economy; in retirement, after having become superfluous as Active worker, he would continue to enjoy, as consumer, his attained customary standard of living.

Here is your opportunity to blaze again a new trail and show the Western world how we can restore a healthy, social, economic and monetary balance in Industrial Nations. We would thereby forestall the danger of social upheavals whenever unemployment will take on more serious proportions.

Unfortunately, I am unable to come and plead my case in person before your Committee. My age (81) and a slight heart condition prevents me from doing so. But I would be quite happy to receive a delegation of a few of your Committee members at home or anywhere in Montreal to give some further clarifying explanations.

Respectfully submitted,

(S.) P. Ackerman.

Enclosures:

ANNEX 1, Summary of my book "Unemployment, its Cause & Cure"

ANNEX 2, Excerpts (pages 30 to 33) from the same book

The Book, "Unemployment, its Cause & Cure", will be found in your Parliamentary Library.

ANNEX I

Summary of the book:

UNEMPLOYMENT, ITS CAUSE & CURE
P. Ackerman

Today's universal attempt is to try to restore Full Employment by artificially stimulating the economy by monetary and other means in the hope of creating thereby re-employment for the unemployed.

In his book "Unemployment, its Cause & Cure" the author contends that Full Employment is today a fallacious and hopeless aim because the substitution of "human" by "harnessed nature's" producing forces makes Full Employment no longer possible nor necessary for prosperity.

Luckily, this is slowly being recognized in the most advanced Industrial Economy of the North American continent:

> Gerard Piel in his paper "Consumers of Abundance" concludes, by a careful analysis of the American Economy, that "Full Employment now seems to be not only an unattainable but an outmoded objective of economic policy".
>
> The American Labor Department's observation in its report to President Kennedy that "we seem to be moving away from full employment rather than towards it" gives additional weight to the obsolescency of the full employment myth.
>
> Walter Lipmann, in one of his recent articles, "Unemployment—What About It?", becomes worried, wondering how full employment can be achieved. He refers to President Kennedy's report to Congress on Manpower and reflects that "it raises a question about unemployment to which there is no obvious answer". He wonders why it is that the rate of unemployment seems to be steadily growing. Somewhere else in the article he calls it "a gloomy situation".

In confirmation of these observations, the author in his book "Unemployment, its Cause & Cure" proves that unemployment is really the manifestation of superfluous labor, demanding therefore a radically new treatment if it is to be solved effectively and permanently.

In brief, the author's findings are as follows:

The irresistible trend of the Industrial Age is to lower the cost of commodities:

> Some 20 years ago a ballpoint pen cost $20; today, you can get it for 25¢.
>
> Why then do we overlook that the commodity "human Labour" costs today $1 or more per hour, whereas in mechanical form we can get the equivalent at an hourly rate of 1/10 to 1/100 of a cent (Chart 1 of the book).

Is it surprising, therefore, that "man" loses out in this eneven competitive struggle and becomes unemployed?

This, then, *is the real cause of unemployment.* It shows conclusively that our problem is *not economic*: to find re-employment; *but social*: to find ways and means to absorb such unemployed (superfluous) labour healthily in our Industrial Society and thus assist the irresistible downward adjustment of what is termed Full Employment. Full Employment actually means the National

potential of the Active Man-Hour Labour requirement prevailing at a point reached in this downward trend (Chart 2):

80 years ago it meant:

60 Active Age Classes (Age 10-70) working 60 hours/week = 3600

Today it is represented by:

Approx. 40 Active Age Classes (Age 20-60) working 35 hours/week =1400

Hence, today the Man-Hour Labour, called "Full Employment" has dropped during these 80 years to nearly $\frac{1}{3}$ of its original potential, despite the untold growth of production and consumption during the same period. This trend will certainly continue and be quickened by automation and computers and, unless properly handled, will irresistibly increase unemployment.

At present the large number of unemployed is among the unskilled labour group. But it is well to realize that with automation and computers unemployment will gradually spread to the skilled and educated groups; finally, with the general slowing of the present over-expanded economy to a more normal pace, all segments of the economy will be affected.

The talk of having to boost the economic growth is another fallacy, stemming, of course, from the fallacious desire to achieve full employment. There is no possibility of stability in ever-faster growth, as there is never any end to such ever-faster growth except a crash.—A high rate of economic growth was natural at the beginning of the new era. But now, after 6 or 7 decades of Industrial Age, it is only natural that the rate of growth slows down (Charts 19 & 20/20c).

Hence, it is *quite evident* that the problem of advanced Industrial Nations is *neither* full employment *nor* economic growth.

What is actually needed is a built-in social regulator on the consumption side of the basic equation "Production = Consumption", a regulator which, under the new economic conditions, will divide the total Consumption equitably between the Active and Superfluous of the Labour Force. This will permit the balancing of the equation without interfering on the production side with the economic trend of producing ever-more with ever-less active manpower (Charts 5/5A Condition 2, 5/5c & 24). The rate of employment and of economic growth would thus be able to find its own level. We would then have a *self-balancing equation* which could find its equilibrium *under any condition* of *a growing, a stationary* or *a declining economy*.

Such a self-balancing equation would be in healthy contrast to the present impossible attempts to sustain a balanced equation with full employment by means of an artificially boosted ever-expanding economy.—Who would like to sit at the wheel of an automobile adjusted for constant acceleration with no regulating gas pedal at his command? Yet this is the way we expect our modern economy to operate.

In order to restore social, economic and monetary stability, the following two features are therefore needed:

A Democratic & Automatic National Retirement Plan (Chap. I/3 & Chart II)

Shift the unemployed (superfluous) labour into the upper age brackets and retire them at their attained income (be it high or low income), thus retaining a high civilian purchasing power.

A Regulatory Surplus Tax System (Chapters III/2 & IV/4)

Have the government pay the pensions and all other government expenses, including National Defence, irrespective of cost. But see to it that all money thus put into circulation be returned to the government ledger by means of a regulatory surplus tax system, which collects the money from the business accounts where it shows up as unused surplus money. This avoids growing government indebtedness, no matter how much government expenses increase.

This method of handling government money is not new. It was practiced during the war. However, instead of collecting the whole amount of government-spent money, only HALF of it was collected by taxation (Chart 22). The other half was taken back in exchange for interest-bearing Government Bonds. This latter procedure was erroneously borrowed from profit-making business, overlooking that the Government's sole function, apart from collective spending, is to act as a collector to reclaim all such collectively-spent money.

These measures would permit the *positive* and *direct* solving of the Unemployment problem as is indicated in the following:

1. By shifting the unemployed into the upper age brackets, the unemployment situation would be eased at once. The nasty and dangerous picture of 18% unemployed Youth would disappear because enough oldsters would retire to make room for the youngsters (Chapter I/4).
2. Retiring the oldsters *at their attained income* would certainly maintain the available purchasing power, in contrast to the stifling effect caused by reducing the unemployed's pay to the dole level (Chart 13/13A).
3. The whole nation being assured of their regular income in retirement and without having to pay greater taxes, would spend their income more freely during their active years, thus enlivening the economy.
4. The proposed tax system would handle the whole growing government cost without anyone feeling it, because the individual and corporation tax rates would remain unchanged. The Surplus Tax would collect the balance of government-spent money where it would show up as unused surplus, the same as was done during the War (Chapter III, and particularly page 27 of my book).

   In fact, the Surplus Tax principle, once adopted, would permit cutting the present tax rates to more sensible levels, thus providing the income-earner with more spending money. The surtax, on the other hand, would automatically recover the revenue loss resulting from the tax cut.

What is all-important is that the scheme would work and strike a balance socially, economically and monetarily, no matter how much the unemployed (superfluous) labour rate would grow.

The economic progress of the Industrial Age is amazing. But are we going to wreck it, just because we do not realize that this economic change from "human" to "machine" labour demands equally amazing changes in our social structure and the tax system?

This new approach, as is briefly outlined in the foregoing, is exhaustively explored in the book "Unemployment, its Cause & Cure", (edition Oct/62) obtainable at $5. from the author, P.O. Box 26, (N.D.G.) Montreal 28, Canada.

August 1963.

ANNEX II

(Attached to the Brief of Jan. 28, 1965 by P. Ackerman)

EXCERPTS FROM THE SOCIAL-ECONOMIC RESEARCH STUDY: "UNEMPLOYMENT, ITS CAUSE & CURE"

by P. Ackerman

The realization that a National Retirement Plan should be financed on a pay-as-you-go basis, rather than on an insurance basis, is gradually being acknowledged. This is proven by the recommendations made by the Canadian Joint Parliamentary Committee on Old Age Pensions*. This Committee brings out the two valuable forward steps of acknowledging the RIGHT of the aged to a Pension and its financing from general revenue on a "pay-as-you-go" basis. The latter recommendation is a decided break in traditional thinking, as the financial insurance principle is still practiced by practically all other countries which have introduced Old Age Pensions.

However, what the Parliamentary Committee has not yet realized—nor have the planners of Old Age Pensions in other countries—is the fact that Unemployment, Old Age Pensions (Retirement Plan) and Tax Reform are one and the same interlocked problem. In consequence of this oversight, the Pension allowances in all countries remain on a pitiably small scale, solely because, in the light of present taxation methods and present Fiscal thinking, no decent pension allowances are considered feasible for "Fear of Cost".—Seen in the same light, the Retirement Plan as outlined in this publication would, of course, also seem preposterous, despite the war having proven its practical feasibility.

It is interesting to note from the nation-wide representations made to the Canadian Parliamentary Committee that there was unanimous concern about the cost of such Old Age Pensions. The considered permissible cost limits were being placed variably at from 1% to 6% of the National Income. The lower limit was being argued by representatives of business and finance and by economists; and the upper limit was argued by those parties more directly interested in improving the human lot, such as Social Workers and Union leaders. Strangely enough, there was not a single voice to vent the untenability of the argument of such low limits in view of the fact that close to 50% of the nation's income was applied to the prosecution of the last war, another non-producing national expenditure.

The simple explanation for this cautious viewpoint is to be found in our adherence to traditional fiscal and taxation policies. We treat them as if they were nature's laws instead of realizing that they are man-made laws requiring modification to meet new conditions.

The Parliamentary Committee's Report presents also an interesting insight into the cumbersome and weariness way which has to be followed under the existing tax method to find a suitable new tax revenue to finance a proposed new outlay. The Report shows how the planners are constantly harassed and handicapped by the "fear of cost". They continuously fear invoking the displeasure of the taxpayer, who will be made the victim of such tax extortion.—What a contrast, compared with the simplicity of procedure which could be followed under the proposed Fiscal and Tax Reform: one would simply decide what was fair and equitable as a retirement allowance, irrespective of cost;

* Report of The Joint Committee of the Senate and the House of Commons of Canada on Old Age Security, June 28th, 1950.

then the allowance would be paid out; and the Surplus Tax would reclaim the amount again from the Production and Trading Channels, after the money had been spent for the purpose intended.

The foregoing indicates that, while there is a slow awakening on taxation and unemployment matters, only the coordination of these thoughts can possibly lead to the permanent and effective solution of our puzzling Social-Economic problems: Let us change our present "*Confiscatory Taxation* deflecting a fixed percentage of the National Income to the Government's spending channel" to a "*Regulatory Surplus Taxation* with the sole purpose of returning to the Government ledger whatever money had been injected into the Government's spending channel". This would pave the way for an unrestricted Government spending in Peace or War, based on "NEEDS" rather than on "FEAR OF COST". This, in turn, would clear the way for the successful permanent solving of the unemployment problem by means of a National Retirement Plan, retiring the income earner at his attained income, as cost would no longer be a deterrent.

Business would realize that such "surpluses" would no longer be "profits" in the old sense. They represent the contributions towards government expenditures, the same as was the case during the war; in peace time they would cover chiefly the expenditures for retirement allowances. Such new viewpoint on "surplus", contrasting it from "profit", would become quite obvious whenever such national surpluses would gradually reach proportions like 40% and possibly some day, 60% of the national income, because of the growing unmber of superfluous (retired) manpower.

Under such new condition, a refund feature offered to the producer of, say 10%, of his surplus, would represent the real reward, or profit, to the producer for having contributed the equivalent of his surplus toward government expenditures. This would be in excess of his regular profit disbursement of dividends and interest payment on the capital investment, as the latter would be accepted as regular expenditure before arriving at the surplus.

It is rather interesting to note that some small beginnings have already been made towards the inevitable reforms discussed above:

1. Since January 1st, 1952, we have, in Canada, the Old Age Pension, assuring each adult at the age of 70 or over, the right to a small monthly pension. This is a modest beginning. The proposed retirement at the attained income represents simply the end of the same road, retirement age being determined by economic manpower needs. The difference between the two plans is that the present Old Age Pension is based on moral grounds, whereas the proposed National Retirement Plan becomes an economic necessity.
2. The policy of "National need" instead of "Fear of Cost" for government expenditures is not new. It was practiced in both war emergencies, and luckily so, as otherwise we would have lost the wars. In fact, we badly need it again in the present armament race and in order to restore our social and economic stability to avoid endangering our freedom.
3. The Excess Profit Tax with refund feature, recovering 50% of the last war cost, is the happy beginning of the proposed "100% Surplus Tax with refund feature" which would recover all government spent money, in peace or in war (Chart 22).

Undoubtedly rapid headway would be made towards bringing these small beginnings to a happy conclusion, the moment one would start to realize that social and economic stability of the Industrial Age depends on the successful solving of these problems. In fact, we are heading rapidly towards a crisis: urgently needed improvements in social security measures such as improved Old Age Pensions, sick relief, etc., also the need for growing defence expenditures, are crying for a solution. Yet the taxpayer is on the verge of revolt, being squeezed out of his earnings by ever greater tax rates, the only way to provide the money for such improvements under the present antiquated tax principle.

The adoption of the surplus tax principle would remove the obstacle to the carrying out of such pressing national needs; at the same time, it would remove the pressure on the oppressed taxpayer, and on the growing cost of living; the surplus tax would not squeeze the money from where it can hardly be spared, but it would instead collect it where it would show up as useless surplus.

The yearly fiscal balance would be based on the simple formula that the active manpower would support, with its excess production, the surplus manpower in retirement, after they had served the officially recognized number of active service years. This balance would be maintained for any attained national living standard, irrespective of how much the active manpower needs would shrink.

Chart 23 indicates our confused economic situation of the last two decades. During the War, when we were asked to tighten our belts, strange to say the civilian consumption grew by 20%. During the post-war years when we expected industry to be free to concentrate on building up our standard of living, the average consumption per head of the Labour Force (Income Earners), in constant 1935/39 dollars, had made hardly any headway (Chart 23/23[B]), although the national income in actual dollars is still skyrocketing.

Why these contradictions? During the War everybody was fully busy and worked long hours. Everybody had much spending money even after taxes were paid. The inflationary spiral was kept in check somewhat because consumers prices were fixed. However, low wages went up, despite wage control, but this was not felt because the government paid the bill.

Then came the post-war years, with the change from war production to consumer goods production. Based on the new wage rates, the pre-war prices of civilian articles no longer covered the cost of production. Then the vicious spiral of inflation started. Prices were raised to meet the new labour cost. Immediately following, organized labour put in a demand for higher wages. This naturally pushed up the prices again because of higher cost. Ever since, yearly, round after round of jacking up wages and prices follow each other with monotonous certainty.

What aggravates the situation is our antiquated tax system. Increased consumers taxes increase the cost-of-living, while increased Income tax rates reduce the purchasing power of the income earner. This provides an additional motive on the part of labour to clamour for higher wages to maintain the take-home pay.

To the foregoing is added the demand for social security measures, such as Old Age Pensions, allowances for the Blind and Sick. Under our present handling of these problems, all this adds to the cost of manufacture or the cost of government. This affects, adversely, the purchasing power of the nation, as is reflected in our almost stationary standard of living of the post-war years (Chart 23/23[B]).

The proposed Retirement Plan and Tax Reform would go a long way towards checking this trend of the growing Cost-of-Living.

The precariousness of the present state of full employment is also plainly evident, if we realize how transitional the present boom periods are.

All this shows that we have reached an impasse from which we cannot extricate ourselves until we come to grips with the underlying fundamental problems as discussed in this study.

A Submission by:

DOUGLAS R. BUTT

947 Willowdale Avenue, Willowdale, Ontario

Although I am a Fellow of the Society of Actuaries, engaged in the consulting field with Johnson & Higgins (Canada) Limited, this submission should not be considered primarily as coming from an actuary, but rather from a citizen with an actuarial background. The submission does not, therefore, concern itself with actuarial matters.

The principal purpose of the submission is to point out inadequacies in the considerations which have been given to date to the Canada Pension Plan, particularly as outlined in the White Paper. I do not attempt to offer concrete solutions but rather to suggest, in the form of questions, areas which need further study.

I ask that the Committee give my remarks, particularly the questions, serious consideration.

December, 1964.

NEED FOR THE PLAN

Normally, in the presentation of any programme, whether to the public, or to others affected by the programme, one of the first things dealt with is its need. In the case of the Canada Pension Plan, there has been no such demonstration.

It seems that various government programmes and laws can be divided into two general types. The first provides individual assistance, or attention, or penalty, in individual situations, and the second applies rules or restrictions to all of the population, because a large percentage of the population needs the programme and the balance would not be significantly affected by it. An example of the former might be the provincial social assistance programmes where individuals apply for aid based on need, while an example of the latter is the flat benefit Old Age Security pension programme.

The proposed Canada Pension Plan falls in the second category, as all employees must participate in order that those who cannot, or will not, provide for themselves will be looked after, to a degree, at retirement. This decision, rather than to base pensions individually on need, can have been made intelligently only if careful examination was made of expected future needs of pensioners retiring from various segments of our working and geographical populations. If a large percentage of future pensioners from generally all walks of life and all areas require assistance, then some sort of uniform programme, probably based on earnings, should be inaugurated immediately.

If, however, times are good, as the White Paper seems to suggest they will be, and the vast majority of our working population is able to save for retirement, with only small segments being needy, an overall contributory pension programme for everybody would be unnecessary.

To assume that a large portion of future retired employees will need help simply because the present generation needs help would be a fallacy. Those presently retired, and those to retire during the next few years, constitute an unusual generation, in that they went through the never-to-be-repeated Great Depression and the subsequent period of low earnings. These people probably did not have the opportunity to save for retirement. If, in fact, our pension problem is concentrated entirely on this particular generation, it would be absurd to install a plan which does nothing for them, but which gives unneeded pensions to future generations.

Question No. 1

Has it been determined, with a reasonable degree of confidence, that our retirement problem is not a temporary one, caused partly by the depression, partly by inflation, partly by the absence of pension plans in the past? Has it been determined that the need for government assistance in pensions for many future generations will be sufficiently widespread to make an overall irreversible compulsory plan desirable? Have studies been made projecting various employees' savings capacities over future years, to determine how much pension they can provide on their own?

I can see no reference to these points in any material I have read on the Canada Pension Plan, and they are particularly ignored in the White Paper. It seems to me absolutely essentiel that there must be a very clear understanding of what is likely to happen before even the first step towards the Canada Pension Plan is taken.

It may well be established that a great percentage of our population does suffer an actual hardship when the breadwinner dies or is disabled. It is very likely that the need for this type of protection can be demonstrated fairly easily.

Question No. 2

Why has it been considered necessary to combine the death and disability benefits, which are in the nature of catastrophe insurance, with retirement benefits, the amounts of which are inter-related? Has any consideration been given to installation of death and disability programmes, with benefits based on presumed need of beneficiaries, without at the same time installing a retirement programme?

FINANCING

Most actuaries who will make submissions to the Committee will, no doubt, recommend a longer build-up period in order that a greater degree of equity can be achieved between people retiring during the next ten years and those retiring after a longer period of time. I disagree entirely with this opinion. I feel that equity must take second place to social need and adequacy, particularly since retirements during the next few years are those which require as great (if not greater) assistance as those retiring in the distant future.

In almost all other government financed programmes, there is a general concept of taxation according to who can afford it best and benefits to those who need them most. Only in areas of assumed equal usage are benefits and

taxes spread evenly. Why people should advocate that the proposed Canada Pension Plan should be such as to give each individual his own fair share of benefits in accordance with his taxes, I don't know. If it is established that certain needs must be fulfilled, it would seem that the normal government practice of having these needs paid for by those who can afford it should be followed.

In any case, to set up a system with a longer build-up period would require some sort of temporary relief programme during this period. The cost of the relief programme would no doubt be allocated in accordance with ability to pay, so that the longer deferment period does not really gain very much.

Question No. 3

In conjunction with the needs of the plan as discussed earlier, has any consideration been given to a plan with little or no build-up period providing benefits, either on a demonstrated or presumed need basis, payable out of either general or specific taxes, without committing future generations to a fixed, specific benefit structure?

I should comment here, as will many others, that the flat benefit Old Age Security pension forms a part of the government's contribution to the aged, and as such, the cost of this programme should be included with the Canada Pension Plan's cost whenever costs or taxes are discussed. It is simply foolish to compare the United States O.A.S.D.I. benefits with the proposed Canada Pension Plan benefits, and use only the 1.8 per cent Canada Pension Plan taxes in the comparison. When one takes into account the taxes supporting the flat benefit plan, one finds that the employees' total tax for the proposed Canada Pension Plan is approximately equal to the American employees' taxes for the O.A.S.D.I. programme and will in future years likely exceed the latter figure.

Question No. 4

Why have employees' direct and indirect taxes for O.A.S. benefits been so zealously ignored when discussing the costs of the proposed Canada Pension Plan? Since it has been decided to increase the flat benefit with increases in the cost of living, the taxes required to support the flat benefit will, no doubt, increase over the future years, but these increases have also been ignored. Why?

ECONOMIC IMPLICATIONS

The White Paper dismissed all worries about economic implications in a brief presentation which is either naive, or straight advertising copy.

The White Paper properly points out that one of the biggest criticisms of the Canada Pension Plan is its possible effect on capacity to save. The White Paper brushes aside this argument with an unconvincing answer. It sets about to compare the total national savings of $10,000,000,000 a year with the accumulated taxes under the plan. I don't feel this is proper; rather, I feel that from this $10,000,000,000 should be subtracted the savings of those people which the Canada Pension Plan will affect only in an insignificant way. If the total national savings include monies arising from other than employment, these monies should be excluded. Also excluded should be savings of people earning over, say, $10,000 per year as the savings of these people will not be significantly affected. What seems to me to be of greatest concern is the effect on a man earning, say, $4,000 a year. If another tax of 1½ per cent of his salary

constitutes a significant percentage of his total annual savings, then I would say the Canada Pension Plan will affect his capacity to save—particularly in future years when his taxes for the Canada Pension Plan will rise.

Question No. 5

Has any consideration been given to analysis of the effects of the plan upon the average man's capacity to save, rather than upon the average amount of savings?

The White Paper tacitly assumes that there will be continued large growth of income over future years and a corresponding increased capacity to save. It does not substantiate this assumption nor indicate what might happen if this assumption does not materialize.

Question No. 6

If, in fact, future incomes are to grow and capacity to save is to increase, why do we need a compulsory government sponsored pension plan? In the event that the future does not bring continued growth of income and continued capacity to save, what effects will the increasing taxes of the proposed plan have on the decreasing capacity to save?

This last question is most important, I feel, because if poorer economic conditions and increased Canada Pension Plan taxes create the situation where a man's personal savings are virtually eliminated, there is not much to prevent a swing to the welfare state.

Although governments at various levels are normally efficient and intelligent, it is not safe to assume that all future governments will have these qualities. Thus, it is not safe to give future provincial governments a large automatic market for their bonds. I think the fact the governments today have to prove to their individual, voluntary investors that they will use the money wisely is a very valuable characteristic of the present arrangements. This will be lost, to a certain extent, if the proposed Canada Pension Plan is installed.

Question No. 7

Has serious consideration been given to the possible harmful effect of allowing the provincial governments unrestricted use of the plan's funds?

The foregoing, while not complete, indicates some of the major questions I have about the proposed Canada Pension Plan. It would seem imperative to me that these questions be studied carefully by a non-political committee, composed of experts of various fields, before any further step in the introduction of the plan is taken.

It is probably impossible to eliminate entirely political considerations from a subject such as this, but every effort should be made to keep these to a minimum because of the long term irreversible nature of the recommended program. At the moment, it does seem to me that political considerations have been so great that inadequate thought has been put into the need or the design of the programme.

Hurried introduction of the plan without thoughtful consideration being given to the foregoing points, and those raised by other citizens, and without public disclosure and discussion of these considerations, would be, in my opinion, an irresponsible act.

(Sgd) Douglas R. Butt

1. I am a member of the Canadian Association of Actuaries and a member in good standing of the Toronto Musicians' Association. This brief is presented, however, on my own behalf.

A. Need for the plan and how the need is met

2. In discussing the need, I wish to consider the plan in three parts; first, as a retirement plan for workers; second, as a wage-related retirement plan, and third, as a plan containing widows', orphans', disability and death benefits.

Retirement plan

3. As a retirement plan for workers, is the plan filling a need? A survey conducted by the Dominion Bureau of Statistics* indicated that 50% of the non-agricultural labor force was employed by employers who had a pension plan in effect and that of this 50%, 7% were permanently ineligible to join the plan. Thus it would seem that a majority of non-agricultural employees do not have the opportunity of joining a pension plan. This indicates, in my opinion, that there exists a need. An employee in a plan receives the benefit of his employer's contribution, whereas one not in a plan does not receive this benefit. This difference will be accentuated by vesting provisions of the Ontario Pension Benefits Act and similar acts which may be passed and by private improvements in vesting provisions.

4. The incidence of this need is not uniform, i.e., many groups have already adequate pension plans and many groups have no pension plan. Federal government employees, for example, have a plan which provides an annual pension, beginning at age 65 after 35 years service, of 70% of the average of the best six years' earnings. I don't think there is a need for another plan in this case. Presumably employees of the railways, of steel and automobile companies, of insurance and trust companies, of the banks and the large department stores have adequate pension plans. If so, then no need exists for many large groups of employees who are employed by large, responsible employers. The need does exist for employees of companies which feel they cannot afford a plan or have not obtained one for other reasons; presumably small or "marginal" employers would be in this category. The Toronto Musicians' Association, whose members work for many different employers, has a pension plan but it does not cover all the musicians in all the places they work and thus the Canada plan might satisfactorily fill this need. A later reference will be made to the problem of pensioning this particular group.

5. How is the federal government proposing to meet this need?—by requiring all employers to adopt the plan whether it is needed or not. It seems to me it would be a better solution to require only employers without a plan or with a plan not meeting certain standards to adopt one—through the medium of private companies, Dominion Government Annuities or through some modification of the Canada Pension Plan. Under present proposals many employers would find themselves with three plans; one a private plan and two sponsored by the government—Old Age Security and the C.P.P. These three types of plans generally cover the same dollar of earnings, thus there would be wasteful duplication involved. Private plans can be integrated with public plans, but the difficulties can be great depending on the type of private plan involved and all this could be avoided if compulsion were limited to employers without a suitable plan. Further, would it be wise to apply compulsion to "marginal" companies or new enterprises which might be in a precarious financial position?

* Pension Plans, Non-Financial Statistics, 1960.

Wage-related plan

6. As a wage-related plan, the rationale of the C.P.P. seems to be that, for example, $75 a month Old Age Security will go further in Newfoundland than Toronto, thus those retiring in Toronto will need a larger retirement income in order to maintain the living standard they have been accustomed to. It seems to me that this sort of thinking has not gone far enough—it has not probed into the economic or human status of the aged, into their income, income needs and living standards. For instance, those retiring in an urban area may have spent their earning lives in a rural area and thus qualify for a relatively small pension—one which won't go as far in the urban area. The reverse situation could also occur. Thus a pension earned during a person's working life won't necessarily fit his retirement needs. This rationale also seems to imply that a flat benefit gives too much for rural areas and too little for urban areas. In a recent submission to the Senate Committee on Aging, titled "Income Characteristics of the Older Population", Miss J. R. Podoluk of the Dominion Bureau of Statistics said:

> "Great disparity, however, is found between the incomes of the (older) population resident in rural areas and the population resident in urban areas"

and

> "Differences in levels of income between rural and urban areas may not result in differences in the levels of living. The rural population may not find it necessary to spend as much on items such as rents or other housing costs or transportation. In the absence of price data and budget studies we have no information on relative costs in different regions. However, the income differentials were so large between rural and urban areas that it is likely that, even if some living expenses are lower, the general level of living of the older population in rural areas is below that of the urban population in most instances."

These statements indicate that the urban aged generally have, already, a better general level of living than the rural aged. The wage-related plan, then, would not necessarily seem to be the answer to Canada's pension needs. A flat benefit plan helps the rural aged relatively more and would seem to fit the present circumstances of the aged. Miss Podoluk's statement in her submission about the absence of price data and budget studies also seems significant. It indicates that more study is needed about the economic circumstances, desires and habits of the aged before anything so comprehensive as the C.P.P. is initiated.

It is my understanding that the Dominion Bureau of Statistics is in the process of publishing various monographs about incomes in Canada, and my plea is that all available or soon to be available data be studied and that new data be requested as needed, before any further government action is taken.

Widows', orphans', disability and death benefits

7. There seems no question about the need for the first three of these benefits. The need is already recognized through the Blind Persons Act, the Disabled Persons Act and Mothers' Allowances, provided by the provinces.

At this point it seems confusing as to how these programs would mesh with the C.P.P., under which these benefits are paid only to those who had some connection with the plan, either as a member of a participant's family or as a participant. Would the C.P.P. benefits generally go to a different class of persons than that which receives benefits under the other programs? How would the benefits compare—would those in greater need get greater benefits?

Those I am concerned about are the persons who are widows, orphans or disabled before January 1, 1966 and those who enter these categories after that date but who would not be covered by the plan because the participant's earnings were too small or he was unemployed or he wasn't in pensionable employment.

The recent case of the Canadian missionary killed in the Congo might be considered here. There is no widow's or orphan's pension provided by the C.P.P. for that family. There might have been if the missionary had lost his life after the plan's initiation. On the other hand, even in this event he might not have been in "pensionable employment" because of the nature of his work. Does this unfortunate family qualify for a mother's allowance and if so, is this allowance as large as would have been paid under the C.P.P.?

8. Concerning the death benefit, which in general would equal one-half of the retirement pension, I don't think as much need exists as for the special benefits discussed above. At the end of 1963, about three out of four* families owned life insurance in an average amount of over $12,000* per family in Canada. More than 87%* of the workers in Canadian industry are in firms with a group insurance plan. The amount of life insurance owned by Canadians at the end of 1963, $60 billion*, was more than triple* the amount held in 1952. I cite these statistics in order to indicate that there seems little, if any, need for the federal government to attach death benefits to the plan. Again, in the case of a family having no connection with the C.P.P., no death benefit is available and yet this type of family is more likely to be part of the minority with no private insurance. Thus we might say that even if there is an area of need for death benefits, does tying the payment of the benefit to a connection with the C.P.P. truly meet the needs of all the people?

B. Design of the plan

9. I wish to comment on four features of the design of the plan, i.e., the earnings exemption of $600, the ten-year benefit build-up period, the funded concept and the indexing of benefits.

The earnings exemption and multiple employers

10. The idea of the earnings exemption seems to be to give lower-paid employees a little better deal, since it means that they pay a smaller percentage of earnings but share the same 25% benefit formula as higher-paid employees. But will the exemption create hardship for groups like the Toronto Musicians' Association, whose members commonly work for many different employers during the year (assuming such groups are in pensionable employment)? Suppose a member worked for ten different employers earning $500 from each—he has earned $5,000, but would he be covered under the plan, considering that the earnings exemption is $600? Although the exemption is supposed to be to the advantage of lower-paid employees, would it actually create hardship for many?

The same general effect of the exemption could be created if the first dollar of earnings were covered for all pensionable employment and the benefit formula weighted in favour of lower-paid groups. This general approach might ease administrative problems even where single employers were involved, since the $600 dividing line would not exist. Could this approach be given consideration?

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*Canadian Life Insurance Facts, 1964, published by The Canadian Life Insurance Officers Association.

Welfare—in Reverse

11. The ten-year period during which benefits build up to 100% means that those who retire thereafter will receive, individually, a large gift, most of it coming from the younger participants. To illustrate, a participant who with his employer contributes $158.40 (3.6% of contributory earnings) each year for ten years on account of an income of $5,000 will get a lifetime pension on retirement of $1,356* a year. At current government annuity rates, this pension will have a value at 65 of about $13,800 and at 70 of about $11,800. This value may be significantly increased by the available widow's benefit and the proposed indexing of benefits in payment. Ignoring this increase, however, the values may be compared with the accumulated value of the contributions which will equal, with 4% interest, about $1,935. Thus this participant retires at 70 with a gift, in actuarial terms, of at least $9,865. Those whose earnings were more than $5,000 will be getting a little larger gift. It is safe to say there would be many thousands of persons retiring who would receive these gifts but who would not need them.

The 1961 Census of Canada (excluding Quebec) indicates there were at that time 111,502 persons age 55. The survivors of these persons reaching age 70 in 1976 may be estimated at 82,000*. If we assume that all those in this group who were participants retired at age 70, and that the number of these was 28,300♯ (22,700 male and 5,600 female) then we may estimate the total value of all gifts to this group. Using an average gift of $5,000 for men and $2,500 for women, which seems conservative, the total gift works out to over $125 million for this group alone. Unfortunately, there won't be any gifts for the old men who sell newspapers on Bay Street, but there will be for all the insurance men, lawyers and stockbrokers there.

Surely such gifts should be directed to those in need. Such a group is the present aged who are not members of census families, i.e., those who live alone, who are lodgers or who double up with relatives. In Miss Podoluk's memorandum the statement is made in reference to this group:

> "The statistics suggest that the majority of this segment of the population have incomes which are inadequate to provide for even very minimum basic needs."

The position of this group has improved relatively since 1961 because of increases in O.A.S., but is this group retired in decency and dignity? Why not make gifts to this group, which needs them?

Pay-as you versus Funding

12. The funded concept was adopted by the federal government in the spring of 1964 after the Quebec government revealed details of its funded plan. Previous to that the federal plan was "pay-as-you-go"—thus the design of the plan was radically changed in a short space of time. Does this mean that the pay-as-you-go concept was no good, or that it was good but it was more important to adopt the Quebec concept? In any case, were the interests of the people held paramount when such radical changes in plan design occurred in such a short space of time? Has fullest consideration been given to the question of pay-as-you-go versus funding?

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* Actuarial Report, Nov. 6, 1964, page 6.
* Canadian Life Tables, 1961
♯ Actuarial Report, Appendix 2, page 46, Schedule 3.

Legislation for Inflation

13. The indexing of pension benefits represents, I believe, a departure from traditional pension thinking in North America. I think it is justifiable in the sense that those living on fixed incomes have suffered a continual loss of purchasing power since World War II, through no fault of their own but rather because of "creeping inflation". In October 1964 the consumer price index was 135.6 as compared to 100.0 in 1949, a compound increase of about 2% a year. It is surely the responsibility of the government to fight inflation because of the plight of some of these persons and because the government issues bonds which are redeemed in fixed dollars and are thus cheapened by inflation. In Canada, our record of containing inflation is better than that of many other countries. It is surprising therefore, that the government is proposing "legislation for inflation", by introducing automatic indexing of benefits according to changes in the consumer price index. It seems like an admission of defeat on the part of the government, as if creeping inflation were a way of life. The maximum increase in benefit in any year is 2%, but suppose we suffered 3% inflation, would we then have to amend the law? And what if deflation occurred —should we reduce pensions? In my opinion, periodic studied adjustments of the level of pensions, depending on what has happened in the recent past, would have the advantage of more flexibility and would not have the disadvantage of emphasizing inflation.

Conclusions

14. I believe that the objective of government-sponsored welfare programs should be to help people live in decency and dignity. It seems to me that because the plan adds a *third* retirement pension for many thousands of Canadians who don't need it; because it provides gifts for many thousands who don't need them; because it is tied to an earnings record and thus ignores those without such a record and who are thus in greater need; because of problems created by the earnings exemption, the funding and indexing techniques, the plan as it now stands should not be put into law.

In 1908 Dominion Government Annuities were established and 44 years later, in 1952, Old Age Security. Surely we could wait another year, or five if necessary, in order to adopt a plan that would efficiently and equitably meet the pension needs of Canadians.

Respectfully submitted,

Robert A. Nix
Toronto, Ontario.

December 29, 1964.

CORRIGENDUM

February 5, 1965

Maxime Guitard, Clerk,
Special Joint Committee of the Senate and
House of Commons on the Canada Pension Plan,
Parliament Buildings,
Ottawa, Ontario.

Dear Sir:—

Further to our letter of Jan. 29th we wish to inform you of a correction which must be made on page 20 of our submission.

We are enclosing a copy of the final page with the correction made and underlined and would appreciate it if copies of this could be distributed to members of the Joint Committee as we understand was done with the original brief.

We are therefore forwarding to you, under separate cover, 100 copies of the corrected page.

As you will see on reading it the last portion hardly makes sense without the correction that we have indicated.

We have also heard that the decision has been reached that the full text of our brief will be included in the printed record. We urgently request that this correction be made prior to the printed record being completed if at all possible.

Yours sincerely,

UNITED FISHERMEN & ALLIED WORKERS' UNION
Per Homer Stevens,
Secretary-Treasurer.

HS/ak
enclosure

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That approach also, however, poses some threats to the basic objections for providing a decent level of security for all. The increasing productivity of the in the future, may produce spectacular incomes for some people, but will be very unevenly reflected as between varying segments and strata of the population.

Automation, which will be the decisive factor in raising national income in the future, may produce spectacular incomes for some people, but will almost certainly produce disastrous consequences for others. One need only consider the situation in a one-industry community where production becomes automated, with the results that total production and income is at an all-time high, but the population is more or less permanently reduced to living on social welfare (e.g. some of the U.S. coal mining communities). Here we would have the means for supporting a high level of security, but an earnings-related pension would yield virtually none.

Therefore, we propose a three part contribution formula, under which two thirds of the total would consist of matching earnings-related contributions by employer and employee, while the remaining third would be a levy against

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industry at a fixed percentage of the value of production. Then, in the event that automation yields high production and little employment, pension plan revenues would, nevertheless, grow and the minimum pension provision which we have outlined above would protect the working force from being automated out of their pensions as well as their jobs.

In conclusion, we wish again to thank the Committee for this opportunity to present our views, and to stress, once again, the urgency of placing fishermen on an equal footing with other employees for the purposes of the Plan.

All of which is respectfully submitted.

UNITED FISHERMEN & ALLIED WORKERS' UNION

H. Stavenes,
President.

H. Stevens,
Secretary-Treasurer.

J. H. Nichol,
Business Agent.

REPORT TO THE HOUSE OF COMMONS

TUESDAY, February 16, 1965.

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan (Bill C-136) has the honour to present the following as its

THIRD REPORT

1. Pursuant to its Order of Reference of November 16, 1964, your Committee had before it for consideration Bill C-136, an Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors.

2. Your Committee was comprised of thirty-six members: twelve Senators, namely, Honourable Senators Blois, Boucher, Croll, Denis, Flynn, Fergusson, Lang, Lefrançois, McCutcheon, Smith (*Queens-Shelburne*), Stambaugh and Thorvaldson, and twenty-four members of the House of Commons, namely, Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Côté (*Longueuil*), Francis, Gray, Gundlock, Klein, Knowles, Laverdière, Lloyd, Macaluso, McCutcheon, Monteith, Moreau, Munro, Olson, Paul, Perron, Rhéaume and Scott.

3. Subsequently, Honourable Senator Smith (*Kamloops*) was appointed in place of Honourable Senator Lang, and the following members of the House of Commons, namely, Mrs. Rideout and Messrs. Marcoux, Howe (*Wellington-Huron*), Leboe, Morison, Enns and Prittie were appointed in place of Messrs. Klein, Olson, Paul, Marcoux, Moreau, McCutcheon and Scott respectively.

4. A Subcommittee on Agenda and Procedure was appointed. The members were: Honourable Senators Croll, Fergusson, McCutcheon, and Messrs. Cameron (*High Park*), Chatterton, Côté (*Longueuil*), Francis, Knowles, Monteith and Munro. During the latter stages of the Subcommittee's proceedings Mr. Aiken was appointed in place of Mr. Monteith, Mr. Basford in place of Mr. Côté (*Longueuil*), and Senator Smith (*Queens-Shelburne*) in place of Senator Croll.

5. Your Committee held 51 sittings and heard approximately 116 witnesses, including individuals speaking on their own behalf and others who represented various public and private organizations. A list of individuals appearing on their own behalf is attached hereto and is marked Appendix A. A list of various public and private organizations presenting briefs, and the individuals who represented such organizations, is attached hereto and is marked Appendix B. A list of individuals and organizations who presented briefs but did not appear is attached hereto and is marked Appendix B-1. The members of the Committee expressed their gratitude to these witnesses for their efforts and contributions.

6. Your Committee also heard officials of Government departments, a list of whom is attached hereto and is marked Appendix C. The members of the Committee expressed their gratitude to these witnesses for the time and effort they expended by their attendance at numerous committee meetings and their forthright and able explanations and advice throughout the hearings. The Committee wishes to thank especially the following: Mr. J. E. E. Osborne,

Technical Adviser to the Committee, for his very able assistance; Dr. Maurice Ollivier, Parliamentary Counsel, who advised the Committee as to the proper procedure to be adopted; and Mr. Maxime Guitard, Clerk of the Committee, for the thorough and capable way in which he assisted in organizing all of our committee meetings.

7. The Committee, after full study of the matters placed before it, endorses the principles of the Canada Pension Plan as an addition to the existing pension benefits provided to the Canadian people by Old Age Security. These principles are as follows:

(i) The total pension available to Canadians in retirement should be in part flat rate and in part earnings related.
(ii) Earnings related coverage should be as broad as practicable.
(iii) The level of combined benefits available under the Canada Pension Plan and Old Age Security should represent a high proportion of the previous earnings of those people whose income does not permit other adequate provision for their retirement.
(iv) There should be scope for further benefits under private pension plans for those in a position to afford them and integration of private pension plans with the Canada Pension Plan should be a matter of consultation between employers and employees.
(v) There should be protection for widows, orphans and disabled persons.
(vi) Full pension benefits under the Canada Pension Plan should become available after a relatively short transition period to retired persons 65 years of age and over.
(vii) Pensions available at retirement should reflect the rising productivity of the Canadian economy and should therefore bear a direct relationship to the increases in the level of earnings that have taken place during a person's career; pensions should also be protected against the inroads of any possible future rise in price levels.
(viii) There should be safeguards in the Canada Pension Plan which will guarantee that future efforts to increase the level of benefits will require that full consideration be given to the cost thereof.

8. As will be noted in paragraph 10 of this Report, your Committee recommends the adoption of Bill C-136 amended in the manner set out in Appendix D. However, your Committee also recommends that consideration be given to the making of the following changes in the Bill:

(i) that the provision exempting the Armed Services and the Royal Canadian Mounted Police from coverage under the Canada Pension Plan should, if integration is technically feasible, be deleted;
(ii) that the provision of a maximum benefit of $104.00 a month payable in respect of the orphans of one contributor be deleted, and that in lieu thereof provision be made for the payment of a flat rate benefit of $25.00 a month for each of the first four orphans, and an additional benefit of $12.50 a month for each additional orphan, of one contributor;
(iii) that an additional type of benefit, namely, a dependent child benefit, payable in respect of each child of a disabled contributor, be included in the Bill, the amount of such benefit to be the same as that provided in respect of orphans.
(iv) that the provision authorizing a drop out of 10% of the months of lowest average monthly earnings be deleted and that in lieu thereof there be a drop out of 20% of the months of lowest average monthly earnings for the purpose of calculating a contributor's benefit upon retirement;

(v) that more specific authority for regulations respecting benefits for disabled persons be included in the Bill, such regulations to cover:

(*a*) the conditions upon which a benefit may be paid and continue to be payable,

(*b*) initial, periodic and other assessments of disability and for the payment of the cost thereof under the Plan,

(*c*) the requiring of an applicant to undergo rehabilitation where practicable and available,

(*d*) the payment of a benefit to such person while undergoing rehabilitation if under the circumstances it is considered appropriate,

(*e*) the granting of authority for an applicant to engage in therapeutic employment while undergoing rehabilitation if such is recommended as part of therapy,

(*f*) a provision that where rehabilitation is recommended failure without good cause as defined by regulation to undergo rehabilitation be a ground for determination that a person has ceased to be disabled, and

(*g*) a provision that where rehabilitation is required and undergone, the cost thereof be payable under the Plan;

(vi) that the Old Age Security Act be amended so that a person who has not resided in Canada for the 10 year period immediately preceding his application should be able to draw the Old Age Security without having resided in Canada for the last year immediately preceding approval of his application, providing he has resided in Canada for a total of at least 40 years since attaining the age of 18.

9. The Committee also recommends that the Government give consideration to further measures regarding the position of those people who, because they are or soon will be retired, will not be substantial contributors to, or beneficiaries from, the Canada Pension Plan.

10. The Committee having given full consideration to Bill C-136, an Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors, has agreed to report it with the amendments set out in Appendix D attached hereto.

11. A copy of the Committee's Minutes of Proceedings and Evidence (*Issues Nos. 1 to 24*), respecting Bill C-136, is appended.

Respectfully submitted,

A. J. P. CAMERON,
Joint Chairman.

APPENDIX A

INDIVIDUALS

The following appeared before the Committee and presented briefs:

Mr. S. M. Thompson, Toronto, Ontario

Mr. Robert J. Myers, Washington, D.C.

Mr. G. N. Watson, Toronto, Ontario

Mr. R. C. Dowsett, Toronto, Ontario

Mr. D. E. Kilgour, Winnipeg, Manitoba

Mr. Wallace R. Joyce, Toronto, Ontario

Mr. Edward Ruse, Toronto, Ontario

Mr. W. M. Anderson, Toronto, Ontario

Mr. Samuel Eckler, Toronto, Ontario

Dr. Robert H. Clarke, Vancouver, B.C.

APPENDIX B

ASSOCIATIONS, ORGANIZATIONS, FIRMS

The following appeared before the Committee and presented briefs:

The Canadian Life Insurance Officers Associations:

Messrs. H. L. Sharpe, M. K. Kenny, B. T. Holmes, D. E. Kilgour, G. R. Berry, G. E. Brown, J. M. Linnell, J. W. Popkin, J. L. Clare, J. A. Tuck, Q.C., Frank G. Dimock.

The Retail Council of Canada:

Messrs. A. J. McKichan, E. E. Went.

The Canadian Welfare Council:

Miss Marian Murphy and Messrs. B. M. Alexandor, Q.C., Eric Hardy, Horace S. Racine, M.L.A., Reuben Baetz, Brian J. Iverson and Dr. R. E. G. Davis.

The Congress of Canadian Women:

Mrs. Helen Weir.

The Senior Women's Committee for Pension Increase:

Mrs. Ethel Neilson.

The E. B. Eddy Company:

Messrs. W. D. Moffatt, D. Hutton.

The Canadian Federation of Agriculture:

Messrs. David Kirk, Lorne Hurd.

William H. Mercer Limited:

Mr. C. J. Woods, F.I.A., F.S.A.

Life Underwriters Association of Canada:

Messrs. J. L. Etherington, R. L. Kayler, Fraser Deacon, R. A. Mitchell.

The Canadian Chamber of Commerce:

Messrs. A. J. Little, H. F. Hoerig, D. L. Morrell, Dr. W. H. Cruickshank, W. J. McNally, R. B. MacPherson, Léon Mondoux, R. S. Davies.

The Winnipeg Chamber of Commerce:

Mr. G. R. Hunter, Q.C.

The Canadian Manufacturers' Association:

Messrs. H. B. Style, C. C. Belden, Willis George, L. E. Marrs, H. Taylor, J. F. Villeneuve, J. C. Whitelaw, L. F. Wills.

Alexander Services and Dubley Funnell, Consulting Actuary:

Messrs. Norman G. Kirkland and J. W. Moreland.

Federal Superannuates National Association:

Messrs. Fred W. Whitehouse, Walter R. McLaren.

The National Legislative Committee International Railway Brotherhoods:

Messrs. Paul Raymond, J. H. Clarke, J. A. Huneault, S. Wells.

The Canadian Association of Social Workers:

Messrs. Harry M. Morrow, M.S.W., Walter Lyons, M.S.W. and Miss Florence Philpott.

The Canadian Labour Congress:

Messrs. Claude Jodoin, Donald McDonald, A. Andras, Russel Irvine.

The Government of Ontario:

Messrs. L. Coward, D. W. Stevenson

Canadian Teachers' Federation:

Messrs. George MacIntosh, Dr. Gerald Nason, Norman M. Goble, Tom Park, Harry Cuff, Alfred H. Kingsett, Miss Marie Duhaime, Miss Ruby McLean, Miss Nora Hodgins, Messrs. William Jones, David R. Brown, F.S.A., Douglas Beaman, Robert Gordon

The Canadian Construction Association:

Messrs. P. D. Dalton, M. C. Stafford, G. Desmarais, S. D. C. Chutter, P. Stevens

Chesapeake and Ohio Railway Company, Great Northern Railway Company, Midland Railway Company of Manitoba, New York Central Railroad Company, Norfolk and western Railway Company andd Northern Pacific Railway Company:

Mr. Cuthbert Scott, Q.C.

The International Association of Firefighters:

Messrs. Bernard Bonser, Richard Chamber, O. Bolton, John Jessop, Ernest Haché, Wes Chatterton

APPENDIX B-1

LIST OF BRIEFS SUBMITTED BY PEOPLE WHO DID NOT APPEAR AS WITNESSES

Mr. Earl Sager, Madoc, Ontario

Mr. P. Ackerman, P.Eng., Montreal, Quebec

Mr. Douglas R. Butt, Willowdale, Ontario

Mr. Robert A. Nix, Toronto, Ontario

Mr. Donald C. Macgregor, Toronto, Ontario

Canadian Pulp and Paper

United Fishermen and Allied Workers' Union

Senior Citizens Advancement Committee

Age and Opportunity Bureau

APPENDIX C

OFFICIALS OF THE GOVERNMENT OF CANADA

Department of National Health and Welfare:

Dr. Joseph W. Willard, Deputy Minister of Welfare
Mr. John E. Osborne, Director, Research and Statistics Division
Mr. J. A. Blais, Director of Family Allowances and Old Age Security Division
Mr. Robert Curran, Legal Adviser
Mr. C. D. Allen, Research Officer, Research and Statistics Division

Department of National Revenue, Taxation Division:

Mr. D. H. Sheppard,
Assistant Deputy Minister of Taxation
Mr. G. J. MacKenzie, Pension Section
Administrator, Administration Branch
Mr. M. F. Sprott, Assistant Director,
Planning and Development Branch
Mr. A. G. Butler, Assessments Branch
Mr. C. Grandy, Assessments Branch

Department of Finance:

Mr. Robert Bryce,
Deputy Minister
Mr. H. D. Clark,
Director of Pensions and Social Insurance

Comptroller of the Treasury:

Mr. Bruce MacDonald, Director,
Operations and Methods Branch

Prime Minister's Office:

Mr. Tom Kent,
Policy Secretary

Department of Justice:

Mr. D. S. Thorson,
Assistant Deputy Minister

Department of Insurance:

Mr. E. E. Clarke,
Chief Actuary
Mr. T. Hall, Actuary
Mr. Z. Jarkiewicz, Actuary
Mr. P. Treuil, Actuary

Unemployment Insurance Commission:

Mr. James McGregor, Director
Mr. Robert L. Beatty, Assistant Director

APPENDIX D

AMENDMENTS TO BILL C-136

1. Strike out line 3 on page 2 and substitute the following:

"in respect of his self-employed earnings, and includes a person the amount of whose earnings on which a contribution has been made for a year under this Act calculated as provided in subparagraph (i) of paragraph (*b*) of section 53 exceeds zero;"

2. Amend sub-section (1) of section 41 by re-lettering paragraphs (*f*) to (*j*) as (*g*) to (*k*) respectively and by adding thereto immediately after paragraph (*e*) the following paragraph:

"(*f*) respecting the manner in which any provision of this Act that applies or extends to an employer of an employee shall apply or extend to any person by whom the remuneration of an employee for services performed in pensionable employment is paid either wholly or in part, and to the employer of any such employee;"

3. Amend section 52 by adding thereto the following sub-section:

When contribution deemed to have been made.

(3) For the purposes of this Part,

(*a*) a contributor shall be deemed to have made a contribution for any year for which his unadjusted pensionable earnings exceed his basic exemption for the year, and shall be deemed to have made no contribution for any year for which his unadjusted pensionable earnings do not exceed his basic exemption for the year; and

(*b*) a contributor shall be deemed to have made a contribution for earnings for any month for which a contribution is deemed by sub-section (1) to have been made by him."

4. Delete sub-clause (8) of clause 62 and substitute the following therefor:

Death within one year of marriage.

"Where a contributor dies within 1 year after his marriage, no survivor's pension is payable to his surviving spouse if the Minister is not satisfied that the contributor was at the time of his marriage in such a condition of health as to justify him in having an expectation of surviving for at least 1 year thereafter."

5. Strike out line 3 on page 52 and substitute the following:

"amount equal to 1.5% of the Year's Maximum Pensionable"

6. Strike out line 38 on page 63 and substitute the following:

"relating to the earnings or a contribution of a contributor shall be conclusively presumed to"

7. Strike out line 44 on page 71 and substitute the following:

"(*a*) all amounts received under this Act as or on account of contributions or otherwise;"

8. Strike out lines 10 and 11 on page 72 and substitute the following:

"(*a*) all amounts payable under this Act as or on account of benefits or otherwise;"

9. Strike out lines 7 to 9 on page 73 and substitute the following:

"calculated at such rate on the average daily operating balance in the said Account for the preceding month as the Minister of Finance may fix."

10. Strike out lines 41 and 42 on page 80 and substitute the following:

"employers, self-employed persons and the public, each of whom shall be appointed by the Governor in Council for such term, not exceeding 5 years, as will ensure as far as possible the expiration in any one year of the terms of appointment of fewer than one half of the members, and one of whom shall be appointed by the Governor in Council to be the Chairman of the Committee."

11. Renumber subsections (4) and (5) of section 117 as subsections (5) and (6) and add immediately after subsection (3) the following subsection:

Rules of procedure.

"(4) The Advisory Committee may make such rules as it deems necessary for the regulation of its proceedings, for the fixing of a quorum for any of its meetings and generally for the conduct of its activities."

12. Amend the French version of the said Bill by striking out the word "ensuite" in the expression "ayant ensuite acquis droit à l'autre pension susdite" wherever that expression appears in subsections (2) to (5) of section 56 and subsections (2) to (5) of section 57 of the said French version.

(Presented the same day)

(Meetings Held During the Adjournment of the House)

MINUTES OF PROCEEDINGS

MONDAY, February 8, 1965.
(51)

The Special Joint Committee of the Senate and of the House of Commons on the Canada Pension Plan met *in camera* at 2:40 o'clock p.m. this day. The Joint Chairman of the House of Commons section, Mr. Cameron (*High Park*), presided.

Members present:

Representing the Senate: Honourable Senators Blois, Boucher, Denis, Fergusson, Smith (*Kamloops*), Smith (*Queens-Shelburne*), Stambaugh—(7).

Representing the House of Commons: Mrs. Rideout and Messrs. Aiken, Basford, Cameron (*High Park*), Cantelon, Cashin, Chatterton, Francis, Gray, Knowles, Laverdière, Lloyd, Macaluso, Morison, Munro, Prittie, Rhéaume—(17).

In attendance: Dr. Joseph Willard, Deputy Minister of Welfare and Messrs. Tom Kent, Policy Secretary, Prime Minister's Office, J. E. E. Osborne, Technical Adviser to this Committee, D. Thorson, Assistant Deputy Minister of Justice, D. Sheppard, Assistant Deputy Minister of National Revenue, D. Hart Clark, Director of Pensions and Social Insurance Division, Department of Finance.

The Chairman opened the meeting.

The Committee instructed the Clerk of the Committee to delay the printing of this Committee's Minutes of Proceedings of the sittings held on Thursday, February 4, 1965; Friday, February 5, 1965 and Monday, February 8, 1965 until the final report of the Committee is presented in the House of Commons.

Mr. Knowles moved, seconded by Mr. Lloyd,

That all written representations and/or briefs submitted by individuals who did not appear as witnesses before this Committee, be printed as appendices to this Committee's Minutes of Proceedings and Evidence of Friday, February 5, 1965.

And debates arising thereon, Mr. Basford moved, seconded by Senator Denis,

That this motion be amended to delete the name of Mr. Latulippe, M.P. from the list of individuals who have submitted written representations to this Committee.

After further debate, the question being put on the said amendment, it was resolved, by show of hands, in the affirmative;

Yeas: 10; Nays: 8.

And the question being put on the said motion as amended, it was resolved, by a show of hands, unanimously in the affirmative.

The Committee then unanimously agreed and it was *Ordered:* That the following written representations and/or briefs be appended to this Committee's Minutes of Proceedings and Evidence of Friday, February 5, 1965, for the convenience of the members of the Committee.

(*see Appendix A66 Issue No. 23*)

WRITTEN REPRESENTATIONS

(*a*) Mr. Donald C. Macgregor, Toronto, Ontario
(*b*) Edmonton Chamber of Commerce
(*c*) John Labatt Limited, London, Ontario
(*d*) The Wyatt Company, Ottawa
(*e*) Mr. D. C. Baillie, University of Toronto
(*f*) Colonel Robert Watt, Financial Secretary, The Salvation Army, Toronto, Ontario
(*g*) Mr. Fred Richardson, Professional Agrologist, Toronto, Ontario
(*h*) Mrs. James A. Macdonald, Ottawa
(*i*) Mrs. G. Steele, Victoria, B.C.
(*j*) Miss Mary T. Roberts, Victoria, B.C.
(*k*) Mr. John Cheadric, The Action Committee for the Advancement of the Blinded, North Vancouver, B.C.
(*l*) Mr. F. W. D. Campbell, Messrs. Campbell, Lawless & Punchard, Chartered Accountants, Toronto, Ontario
(*m*) Miss M. E. Campbell, Ottawa
(*n*) Mr. K. Campbell, Secretary, Fisheries Association of B.C.
(*o*) The Canadian Labour Congress, Ottawa
(*p*) Mr. Leslie C. Johnson, Crescent Beach, B.C.
(*q*) Communist Party of Canada

BRIEFS

(*r*) Mr. Earl Sager, Madoc, Ontario
(*s*) Mr. P. Ackerman, P.Eng., Montreal, Quebec
(*t*) Mr. Douglas R. Butt, Willowdale, Ontario
(*u*) Mr. Robert A. Nix, Toronto, Ontario

On motion of Mr. Knowles, seconded by Mr. Lloyd,

Resolved unanimously: That corrections requested to be made in the brief submitted by the Fishermen and Allied Worker's Union as specified in their letter dated February 5, 1965, appear in this Committee's Minutes of Proceedings of today; (see *Corrigendum*)

On motion of Mr. Basford, seconded by Mr. Macaluso,

Resolved unanimously: That a memorandum prepared by Mr. Hart D. Clark, Director of Pensions and Social Insurance Division, Department of Finance, be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See appendix A67*)

Then the Committee began its consideration of Bill C-136.

By unanimous consent, all clauses of Bill C-136 were adopted except the following, on division; namely clauses: 2 (1) (*h*); 41 (1); 52; 56 (2) (3) (4) (5); 57 (2) (3) (4) (5); 62 (8); 69 (1); 99 (1); 110 (2) (*a*); 110 (3) (*a*); 112 (2); 117 (1); 117 (4) (5).

On Clause 2:

On motion of Mr. Munro, seconded by Mr. Francis,

Resolved unanimously: That paragraph (*h*) of subclause (1) of Clause 2 of Bill C-136 be amended by striking out line 3 on page 2 and substituting the following:

"in respect of his self-employed earnings, and includes a person the amount of whose earnings on which a contribution has been made for a year under this Act calculated as provided in subparagraph (*i*) of paragraph (*b*) of section 53 exceeds zero:"

On Clause 41:

On motion of Mr. Munro, seconded by Mr. Francis,

Resolved unanimously: That subclause (1) of Clause 41 of Bill C-136 be amended by adding thereto immediately after paragraph (*e*) the following paragraph:

"respecting the manner in which any provision of this Act that applies or extends to an employer of an employee shall apply or extend to any person by whom the remuneration of an employee for services performed in pensionable employment is paid either wholly or in part, and to the employer of any such employee;"

On Clause 52:

On motion of Mr. Munro, seconded by Mr. Francis,

Resolved on division: That Clause 52 of Bill C-136 be amended by adding thereto the following subclause:

When contribution deemed to have been made.

"(3) "For the purposes of this Part,

(*a*) a contributor shall be deemed to have made a contribution for any year for which his unadjusted pensionable earnings exceed his basic exemption for the year, and shall be deemed to have made no contribution for any year for which his unadjusted pensionable earnings do not exceed his basic exemption for the year; and

(*b*) a contributor shall be deemed to have made a contribution for earnings for any month for which a contribution is deemed by subsection (1) to have been made by him."

On Clauses 56 and 57 of the French Version of Bill C-136:

On motion of Mr. Munro, seconded by Mr. Francis,

Resolved on division: That the French version of the said Bill C-136 be amended by striking out the word "ensuite" in the expression "ayant ensuite acquis droit à l'autre pension susdite" wherever that expression appears in subclauses (2) to (5) of clause 56 and subclauses (2) to (5) of clause 57 of the said French version.

On clause 62:

Mr. Aiken moved, seconded by Mr. Basford,

That subclause (8) of Clause 62 of Bill C-136 be deleted.

And debate arising thereon, the question being put on the said motion, it was, by a show of hands, negatived;

Yeas: 5; Nays: 15

Thereupon, Senator Stambaugh moved, seconded by Mr. Francis,

That subclause (8) of Clause 62 of Bill C-136 be amended to read as follows:

> Where a contributor dies within 1 year after his marriage, no survivor's pension is payable to his surviving spouse if the Minister is not satisfied that the contributor was at the time of his marriage in such a condition of health as to justify him in having an expectation of surviving for at least 1 year thereafter.

After debate thereon, the question being put on the said motion, it was, by a show of hands, resolved unanimously.

On Clause 69:

On Motion of Mr. Munro, seconded by Mr. Francis,

Resolved unanimously: That subclause (1) of Clause 69 of Bill C-136 be amended by striking out line 3 on page 52 and substituting the following:

"amount equal to 1.5% of the Year's Maximum Pensionable".

On Clause 99:

On Motion of Mr. Munro, seconded by Mr. Francis,

Resolved unanimously: That Sub-clause (1) of Clause 99 of Bill C-136 be amended by striking out line 38 on page 63 and substituting the following:

"relating to the earnings or a contribution of a contributor shall be conclusively presumed to".

On Clause 110:

On motion of Mr. Munro, seconded by Mr. Knowles,

Resolved unanimously: That subparagraph (*a*) of subclause (2) of Clause 110 of Bill C-136 be amended by striking out line 44 on page 71 and substituting the following:

"(*a*) all amounts received under this Act as or on account of contributions or otherwise;"

On Clause 110:

On motion of Mr. Munro, seconded by Mr. Knowles,

Resolved unanimously: That subparagraph (*a*) of subclause (3) of Clause 110 of Bill C-136 be amended by striking out lines 10 and 11 on page 72 and substituting the following:

"(*a*) all amounts payable under this Act as or on account of benefits or otherwise;"

On Clause 112:

On motion of Mr. Munro, seconded by Mr. Francis,

Resolved unanimously: That subclause (2) of Clause 112 of Bill C-136 be amended by striking out lines 7 to 9 on page 73 and substituting the following:

"calculated at such rate on the average daily operating balance in the said Account for the preceding month as the Minister of Finance may fix."

On Clause 117:

On motion of Mr. Munro, seconded by Mr. Francis,

Resolved unanimously: That subclause (1) of Clause 117 of Bill C-136 be amended by striking out lines 41 and 42 on page 80 and substituting the following:

"employers, self-employed persons and the public, each of whom shall be appointed by the Governor in Council for such term, not exceeding 5 years, as will ensure as far as possible the expiration in any one year of the terms of appointment of fewer than one half of the members, and one of whom shall be appointed by the Governor in Council to be the Chairman of the Committee."

On Clause 117:

On motion of Mr. Munro, seconded by Mr. Knowles,

Resolved unanimously: That subclauses (4) and (5) of Clause 117 of Bill C-136 be amended by renumbering sub-clauses (4) and (5) and adding immediately after subclause (3) the following subclause:

Rules of procedure.

"(4) The Advisory Committee may make such rules as it deems necessary for the regulation of its proceedings, for the fixing of a quorum for any of its meetings and generally for the conduct of its activities."

Then the schedule, part of Clause 124 of Bill C-136 was carried on division.

The title and the Preamble were carried unanimously.

The Bill as amended carried unanimously.

The Committee agreed, on division, that the Joint Chairman report the said Bill C-136 as amended.

Then the Committee proceeded in camera to its consideration of the Draft Report.

Paragraphs: 1, 2, 3, 4, 5, and 6 of the Draft Report were carried unanimously.

Sub-paragraphs 1 and 2 of paragraph 7 of the Draft Report were carried unanimously.

Mr. Knowles moved, seconded by Mr. Prittie,

That subparagraph (3) of paragraph 7 to the Draft Report be deleted, and that the following be substituted therefor:

"The level of combined benefits available under the Canada Pension Plan and the Old Age Security Act should be adequate for those people for whom such benefits will be the only source of income after retirement."

And debate arising thereon, the question being put on the said motion, it was resolved, by a show of hands, in the affirmative; Yeas: 15; Nays: 5.

Sub-paragraphs 4, 5, 6, 7, and 8 of paragraph 7 of the Draft Report were severally carried.

On paragraph 8:

Mr. Aiken moved, seconded by Mr. Chatterton,

That paragraph 8 of the Draft Report be amended by adding, after the words "following changes in the Bill", the following:

The Committee supports the stated objective of the government as enunciated in the white paper on the Canada Pension Plan tabled in the House of Commons on August 10, 1964, which is as follows:

"This is to establish a contributory pension plan, ensuring that, as soon as is possible in a fair and practical way, all Canadians will be able to look forward to retiring in security and with dignity."

The Committee favours a portable, contributory retirement plan geared to the needs of all Canadians and implemented without further delay.

Having heard the extensive evidence presented to the joint Committee, it is apparent that the plan as presently drafted falls far short of this objective, in that persons in greatest need, such as those already retired; and those with small income or casual employment will never benefit; and that large numbers of those who do qualify will have completely inadequate benefits,

THEREFORE to correct these gross omissions and inequities the Committee recommends that consideration be given to amending Bill C-136 to provide that:

(*a*) all persons over age 70 receiving Old Age Security benefits shall receive an additional uniform flat amount of not more than $25 a month to be paid from the Canada Pension Plan fund when the first benefit payments are made from the fund.

(*b*) all persons between 65 and 70 who meet a retirement test and who elect to draw the actuarially reduced Old Age Security payment shall receive an additional uniform flat amount of not more than $25 a month to be paid from the Canada Pension Plan Fund when the first benefit payments are made from the fund.

(*c*) Subject to an appropriate residence test, all persons qualifying for any pension benefit under the Canada Pension Plan shall receive a minimum pension of $25 a month in the case of a single person and of $40 per month in the case of a married couple.

(*d*) No one regardless of the smallness of his income shall be excluded from the plan, and to this end contributions shall be required on total income up to the earnings ceiling from all persons earning $600 or more in the case of employed persons and $800 or more in the case of self-employed persons; and that persons earning less than these minima in each class respectively shall be credited with their actual earnings for the purpose of determining the amount of pension which they will be entitled to draw, without making a contribution.

(*e*) A student who has attained the age of 18 and is less than 25 years of age shall, at his option, not be required to make contributions in such of those years in which he is registered as a full time student at a recognized educational institution, in which case the years in which such person did not make contributions shall not be included in determining lifetime earnings.

(*f*) The transition period under the Canada Pension Plan be 20 years rather than 10 years, and the benefits be recalculated accordingly.

After debate thereon, the question being put on the said motion, it was, by a show of hands, negatived; Yeas: 5; Nays: 18.

Also on paragraph 8 of the Draft Report:

Mr. Aiken moved, seconded by Mr. Cantelon,

That paragraph 8 of the Draft Report be amended by adding the following:

"That a student who has attained the age of 18 and is less than 25 years of age shall, at his option, not be required to make contributions in each of those years in which he is registered as a full time student at a

recognized educational institution, in which case the years in which such person did not make contributions shall not be included in determining lifetime earnings."

And debate arising thereon, the question being put on the said motion, it was, by a show of hands, negatived; Yeas: 5; Nays: 18.

Again on paragraph 8 of the Draft Report:

Mr. Aiken, moved, seconded by Mr. Rhéaume,

That paragraph 8 of the Draft Report be amended so that after the words: "following changes in the Bill" a sub-paragraph (1) be added and the other sub-paragraphs be renumbered accordingly, to read as follows:

"That those persons described in Clauses 6 (*h*) and (*j*) of the Bill as being in accepted employment, at their option be permitted to declare themselves as self-employed persons and therefore to be entitled to make contributions and receive benefits accordingly."

After debate thereon, the question being put on the said motion, it was, by a show of hands, negatived; Yeas: 5; Nays: 16.

Thereupon, sub-paragraphs 1, 2, 3, 4, 5, and 6 of paragraph 8 of the Draft Report were carried.

On paragraph 9:

Mr. Knowles moved, seconded by Mr. Prittie,

That paragraph 9 of the Draft Report be deleted, and that the following be substituted therefor:

"The Committee also recommends that consideration be given to the amending of Part IV of Bill C-136 to provide for an increase in the pension paid under the Old Age Security Act to $100.00 a month and for the lowering of the eligible age for the full pension under the Old Age Security Act to age 65."

And debate arising thereon, the question being put on the said motion, it was, by a show of hands, negatived: Yeas: 2, Nays: 19.

Thereupon Mr. Knowles moved, seconded by Mr. Prittie,

That paragraph 9 be deleted, and that the following be substituted therefor:

"The Committee also recommends that consideration be given to the amending of Part IV of Bill C-136 to provide for an increase in the amount of the pension paid under the Old Age Security Act and for the progressive lowering of the eligible age for a full pension under the Old Age Security Act to age 65."

After debate thereon, the question being put on the said motion, it was, by a show of hands, negatived; Yes: 6; Nays: 15.

Paragraphs 9, 10 and 11 were carried.

Appendices A, B; B-1; C and D to the Report were carried.

On motion of Mr. Knowles, seconded by Mr. Munro,

Resolved, on division: That the Joint Chairmen report to their respective Houses the findings of this Committee respecting Bill C-136.

At 7:07 o'clock p.m. the Committee adjourned *"sine die"*.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

MONDAY, February 8, 1965.

The CHAIRMAN (*Mr. Cameron*): We have a quorum; will the committee please come to order.

This is a meeting in camera. I would ask anyone who is not entitled to be present to kindly retire at this stage of our proceedings.

I also would like to say that the understanding arrived at by the steering committee this morning is that the minutes of this meeting will not be printed until after the report, when it is agreed to, is filed in the house. This will be controlled by reason of the fact that the minutes will be in the possession of the clerk and he will not hand them over to the printing bureau until after the report has been filed. Of course, the intention is to preserve the secrecy of the report until it is filed in the house.

Mr. AIKEN: Mr. Chairman, on that particular point, although I may be mistaken, it was my understanding that we would have the proceedings tabled with the report, but not before.

The CHAIRMAN (*Mr. Cameron*): Well, that is correct, Mr. Aiken, the proceedings will be tabled with the report, but the minutes of this meeting are not going to be printed until after the report is provided. Do you mean that it should be done at the same time?

Mr. AIKEN: Well, I thought that is what would be done.

The CHAIRMAN (*Mr. Cameron*): Mr. Guitard, how do we get over that difficulty? If we do not have these minutes printed until after the report is filed how can we table them?

Mr. KNOWLES: I suppose you could table the typewritten copy.

The CHAIRMAN (*Mr. Cameron*): The clerk has advised me that we could table in the house the typewritten copies of the unrevised minutes. Is that not correct?

The CLERK OF THE COMMITTEE: Yes, Mr. Chairman.

The CHAIRMAN (*Mr. Cameron*): Is that satisfactory to you, Mr. Aiken?

Mr. AIKEN: Yes. We merely felt that they all should be filed at the same time.

The CHAIRMAN (*Mr. Cameron*): Now, we have a number of written representations and briefs. If someone will make the necessary motion and someone else will second it, the motion will be as follows:

> That the following written representations and briefs, submitted to this committee by people who did not appear as witnesses, be printed as appendices to this committee's minutes of proceedings and evidence. (*See Minutes of Proceedings*).

Mr. CHATTERTON: Mr. Chairman, for the sake of tidiness and so as not to clutter up the final report too much would it be feasible that this could be printed in another part of the minutes?

The CHAIRMAN (*Mr. Cameron*): I was going to ask that this be included in the minutes of our meeting held on Friday night, if that is agreeable.

Hon. Mr. DENIS: Mr. Chairman, was the name of Mr. Laprise or Mr. Latulippe mentioned in that motion?

The CHAIRMAN (*Mr. Cameron*): Mr. Latulippe was mentioned.

Hon. Mr. DENIS: Is that the speech which Mr. Latulippe made in the house?

The CHAIRMAN (*Mr. Cameron*): This is a paper he presented in connection with the Canada pension plan.

Hon. Mr. DENIS: Another paper?

The CHAIRMAN (*Mr. Cameron*): Yes.

Mr. BASFORD: Mr. Chairman, I have two questions. In respect of my first, it may be that I missed something that was said the other day. But, could you advise me when the brief of the United Allied Fishermen was made part of the minutes?

Mr. CHATTERTON: It was submitted to the steering committee.

Mr. KNOWLES: That was made part of the proceedings last week along with one or two others.

Mr. BASFORD: I just wanted to make sure.

I object, Mr. Chairman, to the inclusion of the correspondence from Mr. Latulippe. I think it is an unusual procedure for members of parliament to be able to write to a parliamentary committee and ask that their submission be made part of the record. The Creditiste party has a representative on this committee and they, as a party, could have participated in the proceedings of the committee. But, their representative has hardly ever been present, and I see no reason for this. As I say, it is most unusual for a parliamentary committee, under the rules, to call a member of parliament before the committee as a witness. It is most unusual and happens only in very unusual circumstances. I think it even unusual that a member of parliament write to the committee and ask that something be made part of the record.

I can see the necessity and fairness of putting on the record communications from individuals, who have a right to expect, as citizens, that their views be made known to the committee, but a member of parliament has his own way and has his own right to debate and put forward his proposals at the appropriate time in the House of Commons. I do think it is improper for him to ask that it be made part of the record and, as well, I think it would be most improper for the committee to agree that it be made part of the record.

The CHAIRMAN (*Mr. Cameron*): For your information, after it was intimated that Mr. Latulippe, through his secretary, wanted to do this I went and discussed it with his secretary. The document he wants to file is a paper in which he sets out his views in respect of the Canada pension plan. Perhaps I am wrong in this but, as a member of parliament, I thought if he wanted to have put on the record what his views were that perhaps it was not unreasonable that we should accede. But, that is for the committee to decide.

Mr. BASFORD: Mr. Chairman, I would like to move an amendment to the motion, that his communication be struck out of the motion.

Mr. CHATTERTON: He was not a member of the committee?

The CHAIRMAN (*Mr. Cameron*): No.

Mr. BASFORD: I am of the opinion, on the grounds that his party has had a representative on the committee, who has hardly seen fit to participate in the proceedings, that it is improper for a member of parliament to make such a request.

The CHAIRMAN (*Mr. Cameron*): We have not a mover for this motion which I have before me. Is someone prepared to move it?

Mr. KNOWLES: Is that the original?

The CHAIRMAN (*Mr. Cameron*): Yes.

Mr. KNOWLES: I will move the original motion.

Mr. LLOYD: I will second the original motion.

The CHAIRMAN (*Mr. Cameron*): Mr. Basford has moved an amendment, that the reference to Mr. Latulippe be struck out. Could I have a seconder for the amendment?

Hon. Mr. DENIS: I second the motion.

Mr. KNOWLES: Mr. Chairman, before the amendment is put may I say that I do think it is an odd way for Mr. Latulippe to go about doing this but it is not completely unheard of for a member of parliament who is not a member of a committee to ask to be heard by this committee. Now, this committee does not have to be governed by all past practices; we would not be committing an unpardonable sin if we did it. But, Mr. Chairman, I would like to be guided by your judgment because you have looked at this situation.

Mr. FRANCIS: Mr. Chairman, I think my question is relevant to Mr. Knowles' point. Did Mr. Latulippe produce a paper or was it an extract from his speech in the House of Commons?

The CHAIRMAN (*Mr. Cameron*): Both. It was a résumé of a speech, together with another document setting forth his views in respect of the Canada pension plan, something which he considers a superior plan.

Mr. FRANCIS: I would like to say that if all he is bringing to the attention of the committee is his speech in the House of Commons, that is one thing, but if it is something above and beyond anything he has previously placed on the record of *Hansard,* that is another thing, in my opinion.

The CHAIRMAN (*Mr. Cameron*): It is over and beyond what he has placed on *Hansard* of the house. I could not tell you what is in it because not being fluent in both languages I was unable to translate very accurately from French into English. But, I had an assurance from his secretary that what I stated it to be is what it is.

Mr. CHATTERTON: I feel like Mr. Knowles, that since he was not a member of the committee, although it is unusual, I think we should give him that right.

Mr. KNOWLES: Let us not be ungenerous.

The CHAIRMAN (*Mr. Cameron*): Is there any further discussion? If not, all those in favour of the amendment proposed by Mr. Basford and seconded by Mr. Denis? All those opposed? The motion carries.

Mr. AIKEN: You mean the amendment carries.

The CHAIRMAN (*Mr. Cameron*): Yes. Now, the main motion. Before dealing with that, I think I should call to your attention that the Canada Pulp and Paper brief apparently already has been recorded in the minutes so I think it would be in order that reference to it be struck out. Do I have your consent to do that?

Mr. KNOWLES: Yes.

The CHAIRMAN (*Mr. Cameron*): And, yours, Mr. Lloyd?

Mr. LLOYD: Yes.

The CHAIRMAN (*Mr. Cameron*): All those in favour of the motion as amended?

Mr. BASFORD: What is the motion?

The CHAIRMAN (*Mr. Cameron*): The motion as amended?

Mr. KNOWLES: By your ungenerous act.

The CHAIRMAN (*Mr. Cameron*): Are there any contrary minded? Motion agreed to. Then, we have the letter from the United Fishermen and Allied Workers' Union dated February 5, 1965, in which they request permission to make a change in their brief as filed. I assume we could have a motion agreeing to their brief being amended.

Mr. KNOWLES: Is this a typographical error of some sort?

The CHAIRMAN (*Mr. Cameron*): No. I understand the brief has already gone to the printer. Apparently they have come to the conclusion that they want to change it in a material way because they think it is important enough to be changed. They ask that their brief, as filed, be changed in accordance with the request.

Mr. BASFORD: I read their brief with great care. If this is a change of substance, I would like to know what is the change.

The CHAIRMAN (*Mr. Cameron*): The letter says:

> Further to our letter of January 29 we wish to inform you of a correction which must be made on page 20 of our submission.
>
> We are enclosing a copy of the final page with the correction made and underlined and would appreciate it if copies of this could be distributed to members of the joint committee as we understand was done with the original brief.
>
> We are therefore forwarding to you, under separate cover, 100 copies of the corrected page.
>
> As you will see on reading it the last portion hardly makes sense without the correction that we have indicated.
>
> We have also heard that the decision has been reached that the full text of our brief will be included in the printed record. We urgently request that this correction be made prior to the printed record being completed if at all possible.
>
> Yours sincerely,
> United Fishermen and Allied Workers' Union
> Per Homer Stevens, Secretary-Treasurer.

On page 20 of their letter the part that is underlined reads as follows:

> Therefore, we propose a three part contribution formula, under which two thirds of the total would consist of matching, earnings related contributions by employer and employee, while the remaining third would be a levy against industry at a fixed percentage of the value of production.

Mr. KNOWLES: Does the clerk know whether the minutes are already set in type and whether it is too late to change them? If so, all we can do is to suggest that this be made an appendix to Friday's minutes. I will so move, Mr. Chairman.

Mr. LLOYD: I second it.

The CHAIRMAN (*Mr. Cameron*): It is moved that the letter dated February 5, 1965, from the United Fishermen and Allied Workers' Union and the memorandum enclosed therewith be printed as an appendix to Friday's minutes. You have heard the motion. Is there any discussion?

Mr. BASFORD: Is there an addition of a new paragraph?

The CHAIRMAN (*Mr. Cameron*): It is a change; I could not tell you whether it is an addition or a correction.

Mr. BASFORD: Where is it corrected?

The CHAIRMAN (*Mr. Cameron*): It appears on page 20. You can have a look at it.

Mr. PRITTIE: Did you get 100 copies? Could you give them out? Perhaps it would be helpful.

Mr. MUNRO: While this is being examined by Mr. Basford could I raise another point that has nothing to do with this?

Appendix D was just handed out. Would the members be kind enough to turn to page 2 and see whether page 2 has anything to do with these amendments, because a mistake was made. Page 2 should start out: "4. Strike out line 3". Would the members that have not got the second page hand me their appendices so that they can be corrected?

The CHAIRMAN (*Mr. Cameron*): Are you now satisfied, Mr. Basford?

Mr. BASFORD: Yes, I am satisfied.

The CHAIRMAN (*Mr. Cameron*): Are you prepared to support the motion?

Motion agreed to.

Is the report ready to be tabled, Mr. Munro?

Mr. MUNRO: It will be down very shortly. I was wondering whether we could proceed now. Mr. Knowles suggested a procedure whereby we might proceed with the amendments which we now have. The report which is to be tabled should be down here any minute; they are putting it together with staples.

Mr. KNOWLES: Mr. Chairman, I suggest that we go ahead with the proposal with which we agreed in the steering committee this morning even though we had not got the draft report before us. Those of us who are on the steering committee know it includes a paragraph which says that the committee has agreed to report the bill with certain amendments. This is a part of the recommendation. I would suggest that you, Mr. Chairman, ask for unanimous consent to deal with all the clauses of the bill except the ones that are being amended as set out in appendix D, the appendix that was just passed around. We could then call these individual clauses and get to the point where we will report the bill as amended knowing that we will then have a committee report in which we say "However, we think certain other changes should be made."

The CHAIRMAN (*Mr. Cameron*): This follows along the lines of Mr. Knowles' suggestion, and as he has indicated, it was agreed to in the steering committee this morning. I am therefore asking: Is there unanimous consent that all clauses of Bill No. C-136 be adopted except the following: clause 2 (*h*), clause 52; clause 56, subclauses (2), (3), (4) and (5); clause 57, subclauses (2), (3), (4) and (5); clause 69, subclause (1); clause 99, subclause (1); clause 110, subclause (2)(*a*); clause 110, subclause (3)(*a*); clause 112, subclause (2); clause 117, subclause (1), and clause 117, subclauses (4) and (5).

Is there unanimous consent that all clauses of Bill No. C-136 be adopted except the ones that I have read?

Mr. AIKEN: Mr. Chairman, there are two things I would like to say on this suggestion. Firstly, I want to add one other clause which I wish to be considered, and that is clause 62, subclause 8, which I have raised on previous occasions. It relates to the so-called death-bed marriages. In respect of the remainder of the clauses, if they are adopted, the adoption would have to be on division, because we have several recommendations which might affect any of the provisions of the bill. Subject to that, we can proceed on that basis.

Mr. KNOWLES: This is the understanding we had in the steering committee.

The CHAIRMAN (*Mr. Cameron*): Did you say clause 62, subclause (8)?

Mr. AIKEN: Yes.

The CHAIRMAN (*Mr. Cameron*): Mr. Thorson has also suggested we except subclause (4).

Is it agreed that all clauses of Bill No. C-136, except the ones I have read and these two additions, be adopted on division?

Agreed to.

The CHAIRMAN (*Mr. Cameron*): We will therefore proceed with the amendment in respect of clause 2 (*h*). The amendments are those which we have had the opportunity of having presented to us by Mr. Thorson. The amendment in respect of clause 2 (*h*) would be to strike out line 3 on page 2 and substitute the following:

> in respect of his self-employed earnings, and includes a person the amount of whose earnings on which a contribution has been made for a year under this Act calculated as provided in subparagraph (*i*) of paragraph (*b*) of section 53 exceeds zero;

Mr. MUNRO: I would move, seconded by Mr. Francis, that clause 2 (*h*) be so amended.

The CHAIRMAN (*Mr. Cameron*): You have heard the motion. Is there any discussion? All those in favour of the motion?

Motion agreed to.

Mr. KNOWLES: It is also understood that when the agenda to the report is finally prepared it will contain these amendments.

Mr. MUNRO: I should have repeated the wording clause by clause, but the Chairman did.

Mr. KNOWLES: It will be clear in the report.

Mr. MUNRO: Yes.

The CHAIRMAN (*Mr. Cameron*): Shall clause 2 (*h*) as amended carry on division?

Clause 2 (*h*) as amended agreed to.

The CHAIRMAN (*Mr. Cameron*): The next amendment relates to subclause (1) of clause 41 which will be amended by adding thereto immediately after paragraph (*e*) the following paragraph:

> (*f*) respecting the manner in which any provision of this act that applies or extends to an employer of an employee shall apply or extend to any person by whom the remuneration of an employee for services performed in pensionable employment is paid either wholly or in part, and to the employer of any such employee;

Mr. MUNRO: I would move, seconded by Mr. Francis, that subclause (1) of clause 41 be amended by adding immediately after paragraph (*e*) the paragraph you have just read, Mr. Chairman.

Mr. CHATTERTON: Mr. Chairman, I am not objecting, but I do not think this clause has been explained by Mr. Thorson.

Mr. D. S. THORSON (*Assistant Deputy Minister, Department of Justice*): No, sir. This is an additional amendment to meet the point raised by the teachers, that there may be occasions when a person other than the person by whom the teacher is employed is the person who pays the remuneration. This would permit dealing with not only the employer but also the person who pays the remuneration and would permit adjustments of the obligation arising under the bill accordingly.

Mr. CHATTERTON: Does it also cover such cases of municipal employees where part of the remuneration is paid by the provincial government?

Mr. THORSON: That could be.

The CHAIRMAN (*Mr. Cameron*): You have heard the motion. Do you agree to the amendment?

Amendment agreed to.

The CHAIRMAN (*Mr. Cameron*): Does subclause (1) of clause 41, as amended, carry on division?

Subclause agreed to.

Mr. KNOWLES: Are these all on division?

Mr. CHATTERTON: Just carried.

The CHAIRMAN (*Mr. Cameron*): Very well.
The next one we have to deal with is clause 52.

Mr. MUNRO: Mr. Chairman, I would move, seconded by Mr. Francis, that clause 52 be amended as follows by adding thereto the following subclause:

(3) for the purposes of this part,

(*a*) a contributor shall be deemed to have made a contribution for any year for which his unadjusted pensionable earnings exceed his basic exemption for the year, and shall be deemed to have made no contribution for any year for which his unadjusted pensionable earnings do not exceed his basic exemption for the year; and

(*b*) a contributor shall be deemed to have made a contribution for earnings for any month for which a contribution is deemed by subsection (1) to have been made by him.

Amendment agreed to.

The CHAIRMAN (*Mr. Cameron*): Clause 52, as amended, agreed to.

Mr. AIKEN: On division, Mr. Chairman. We agree to the amendment, but this touches the whole contribution question.

The CHAIRMAN (*Mr. Cameron*): Clause 56.

Mr. MUNRO: This is item 11 on page 3 of our appendix; that clause 56, subclauses (2), (3), (4) and (5) be amended as follows:

Amend the French version of the said Bill by striking out the word "ensuite" in the expression "ayant ensuite acquis droit à l'autre pension susdite" wherever that expression appears in subsections (2) to (5) of section 56 and subsections (2) to (5) of section 57 of the said French version.

The CHAIRMAN (*Mr. Cameron*): You have heard the amendment. Is there any discussion? All those in favour of the amendment?

Amendment agreed to.

Clause 56, subclauses (2), (3), (4) and (5) as amended agreed to on division.

Mr. KNOWLES: You had better call clause 57, too.

The CHAIRMAN (*Mr. Cameron*): Clause 57.

Mr. MUNRO: Do I have to read it all out again? I would move that clause 57 be amended as set out in the previous amendment.

The CHAIRMAN (*Mr. Cameron*): You have heard the motion. Is there any discussion?

Amendment agreed to.

Clause 57, subclauses (2), (3), (4) and (5), as amended, agreed to.

The CHAIRMAN (*Mr. Cameron*): Clause 58.

Mr. MUNRO: Mr. Chairman, we now move to the top of page 2, item 4. I would move that clause 69, subclause (1), be amended by striking out line 3 on page 52 and substituting the following:

—amount equal to 1.5% of the Year's Maximum Pensionable—

Mr. FRANCIS: I second the motion.

The CHAIRMAN (*Mr. Cameron*): You have heard the motion.

Motion agreed to.

Clause 69, as amended, agreed to.

Mr. MUNRO: Mr. Chairman, I would move that clause 99 (1) be amended by striking out line 38 on page 63 and substituting the following:

—relating to the earnings or a contribution of a contributor shall be conclusively presumed to—

Amendment agreed to.

Clause 99 (1), as amended, agreed to.

The CHAIRMAN (*Mr. Cameron*): Clause 110, subclause (2) (*a*).

Mr. MUNRO: This is item 6 on page 2. Mr. Chairman, I would move that clause 110, subclause (2) (*a*) be amended by striking out line 44 on page 71 and substituting the following:

(*a*) all amounts received under this Act as or on account of contributions or otherwise;

Mr. KNOWLES: Perhaps I might second the motion because this is one suggestion I made to help the fund get some money.

The CHAIRMAN (*Mr. Cameron*): You have heard the motion?

Motion agreed to.

Clause 110 (2) (*a*), as amended, agreed to.

The CHAIRMAN (*Mr. Cameron*): Clause 110 (3).

Mr. MUNRO: Mr. Chairman, this is item 7 on page 2. I would move that clause 110, subclause (3) (*a*) be amended by striking out lines 10 and 11 on page 72 and substituting the following:

(*a*) all amounts payable under this Act as or on account of benefits or otherwise;

Mr. FRANCIS: I second the motion.

Motion agreed to.

The CHAIRMAN (*Mr. Cameron*): Shall clause 110 (3) as amended, carry?

Clause agreed to.

Mr. MUNRO: I move that clause 112 (2) be amended as follows:

Strike out lines 7 to 9 on page 73 and substitute the following:

"calculated at such rate on the average daily operating balance in the said Account for the preceding month as the Minister of Finance may fix."

Mr. FRANCIS: I second the motion.

The CHAIRMAN (*Mr. Cameron*): It has been moved by Mr. Munro and seconded by Mr. Francis. You have all heard the motion? What is your pleasure?

Motion agreed to.

Shall clause 112 (2) as amended, carry?

Clause agreed to.

Mr. MUNRO: I move that clause 117 (1) be amended as follows:

Strike out lines 41 and 42 on page 80 and substitute the following:

"the employers, self-employed persons and the public, each of whom shall be appointed by the governor in council for such term, not

exceeding 5 years, as will ensure as far as possible the expiration in any one year of the terms of appointment of fewer than one half of the members, and one of whom shall be appointed by the governor in council to be the chairman of the committee."

Mr. FRANCIS: I second the motion.

The CHAIRMAN (*Mr. Cameron*): Does clause 117 (1) carry?

Motion agreed to.

Mr. MUNRO: I move that clause 117 (4) and (5) be amended as follows:

Renumber subsections (4) and (5) of section 117 as subsections (5) and (6) and add immediately after subsection (3) the following subsection:

Rules of Procedure.

"(4) The advisory committee may make such rules as it deems necessary for the regulation of its proceedings, for the fixing of a quorum for any of its meetings and generally for the conduct of its activities."

Mr. KNOWLES: I second the motion.

The CHAIRMAN (*Mr. Cameron*): It has been moved by Mr. Munro and seconded by Mr. Knowles. Shall clause 117 (4) and (5) as amended carry?

Motion agreed to.

Let us pause for a moment, I have clauses 56 (2), (3), (4) and (5) marked down. I do not know if they have been moved yet.

Mr. MUNRO: Yes, that has been done.

The CHAIRMAN (*Mr. Cameron*): We have carried them all?

Mr. MUNRO: I believe we have, through you, Mr. Chairman, and Mr. Thorson. I believe that covers them all.

The CHAIRMAN (*Mr. Cameron*): I see there is an error in the typing, which says clause 57 for amendment, and clause 58 as amended is carried. It is clause 57. Is there any necessity to go back and check on it?

Mr. KNOWLES: Clauses 56 and 57 were amended. They have to do with the French version.

Mr. MUNRO: That is right.

The CHAIRMAN (*Mr. Cameron*): Shall the schedule to clause 124 of the bill carry?

Carried.

Shall the title of the bill carry?

Carried.

Mr. AIKEN: There are two things which remain to be dealt with, one is clause 41.

Mr. MUNRO: No, we have dealt with it. Mr. Chatterton asked a question about it and we carried it. Was there another one?

Mr. AIKEN: Yes, clause 62. I have from time to time raised a question about clause 62(8), which relates to the question of marriage within three years of the death of the contributor, and the possibility of the widow having married for the sole purpose of securing a contributor's pension. It has been explained that under the civil service superannuation legislation there is a similar provision, but that it has actually never been used, or if so, in very few circumstances. The subcommittee, I believe, has left it with some members, or some of the officials of the department, to look into the question of

veterans' pensions under the War Veterans' Allowance Act, I believe. That is a matter we have not yet received a report about, and I wonder if there is any further report on it?

The CHAIRMAN (*Mr. Cameron*): Dr. Clark is here and he has a memorandum to be distributed to the committee.

Mr. WILLARD: Mr. Clark has looked into the matter and he has a document to distribute. He will speak to it.

Mr. H. D. CLARK (*Director, Pensions and Social Insurance, Department of Finance*): The paper which has been distributed sets forth the provisions in the Pension Act and in the War Veterans' Allowance Act which are intended to deal with the so-called deathbed marriage. You will notice that the provision is somewhat similar in each case, and that it is different from that contained in the Canada Pension Plan bill, and also different from the provisions appearing in the three superannuation acts to which I referred in my previous testimony.

You will note that the criterion here really boils down to a medical opinion of whether at the time of the marriage the veteran had a reasonable expectancy of surviving for at least one year. I consulted with officials of the Canadian pension commission and the war veterans' allowance board since this was related last Thursday, and I am advised that in so far as the pension act is concerned, they do not keep their statistics in a way which would show actual cases disallowed for this reason. All I can say is that there have been some.

In the case of the War Veterans' Allowance Act, however, I am advised that in the last two years there have been 12 cases where death occurred within one year of the marriage. In 10 of these the allowance was awarded to the widow. In the other two the restriction contemplated by this section was enforced. In other words, the health of the veterans concerned was held to be such as to disqualify the widow in accordance with that section.

The CHAIRMAN (*Mr. Cameron*): Have you an amendment, Mr. Aiken?

Mr. AIKEN: Mr. Chairman, I still feel that, in the first place, this particular provision in the Canada pension plan goes much further than either of the other two acts. They are one-year provisions and this is a three-year provision. Secondly, there is a principle here that allows what I think is undue interference in the private lives of individual Canadians.

I would like to move, therefore, that subclause (8) of clause 62 be deleted.

Mr. BASFORD: I would like to second that motion.

Mr. MUNRO: Before the motion is put to the committee, I wonder if we could hear from Mr. Thorson with regard to this?

Mr. THORSON: The provision in the bill is in a real sense less onerous than the provisions indicated on the mimeographed sheets attached.

You will notice that in both of the two acts referred to on the attached sheet there is a positive obligation—in the first case on the pension commission and in the second case on the war veterans allowance board—to make a finding concerning the person's expectation of life. This is not the case under subclause (8) of clause 62 of the bill.

The CHAIRMAN (*Mr. Cameron*): Before I put your motion, Mr. Aiken, may I have permission to call attention to the fact that we should probably have a motion that this memorandum, which has been prepared by Dr. Hart Clark be made part of the record.

Mr. AIKEN: It should be, Mr. Chairman, except for the fact that it is a reprint of two statutory provisions. I have no objection, but they could very easily be referred to as section 37 of the Pension Act and section 11 of the War Veterans' Allowance Act.

The CHAIRMAN (*Mr. Cameron*): It would all be in one place if this course were adopted.

Is it agreed that these should be incorporated?

Agreed.

Mr. THORSON: I agree with the point of the amendment in substance.

Would there be any merit in a provision which would limit the period of operation of the subsection from three years to a single year and that would vary the basis on which a pension might be reduced to an appraisal of that person's expectation of life—

Mr. CHATTERTON: Oh, no.

Mr. THORSON: —in a negative sense, not in the positive way in which it is done in either of the two acts here.

If I may, I will illustrate. It would then read somewhat as follows—and I have just sketched something out very roughly here to see what reaction there might be.

> Where a contributor dies within one year after his marriage no survivor's pension is payable to his surviving spouse if the minister is not satisfied that the contributor was at the time of his marriage in such a condition of health as to justify the contributor in having a reasonable expectation of surviving for a period of at least one year thereafter.

Again, I would point out that it is different from the provision that appears in the War Veterans' Allowances Act in that it would only come into play where the minister was not satisfied. He would not have to satisfy himself in each and every case of a death within one year. It would only come into play in a case where there were circumstances indicating that the man did not indeed have an expectation of life of at least one year.

I simply put that out to the committee as being a possible alternative to the total deletion of the provision.

Mr. AIKEN: Mr. Chairman, I appreciate that this is an alternative, but I am objecting to the principle in toto. I would like to have the question put to the committee.

Mr. FRANCIS: A further question arises. I would like to understand Mr. Aiken's position. He is objecting in toto. Mr. Aiken feels there should be no provision whatever in the legislation relating to the so-called death-bed marriage problem. In other words, any dying veteran who has single status at that time could make quite a substantial present to anyone who was attending him on his last day by contracting a marriage just a few hours before death, and thereby incurring a pension for life at the expense of the taxpayers of Canada. Is this Mr. Aiken's intention?

Hon. Mr. STAMBAUGH: As long as he lives long enough to say "I will".

Mr. FRANCIS: That is right. Is that the intention?

Mr. AIKEN: I object to the whole principle of looking into the reason for marriage. I cannot see how, in the normal case, one reason can be sorted out from another if one excuse or statement were as plausible as another. I assume under this section, for example, if the widow could persuade the department that she entered this marriage bona fide for affection or love, she would therefore be able to establish that; and I do not know who is going to make the decision. That is why I object to the principle.

Hon. Mr. STAMBAUGH: I would move an amendment along the lines of Mr. Thorson's suggestion. I think that is very reasonable and I would move that. I think three years is a little too long; one year is reasonable, I think.

The CHAIRMAN (*Mr. Cameron*): We will have to have the text written out exactly. Mr. Aiken's is quite clear. He has moved, seconded by Mr. Basford, that subclause (8) of clause 62 be deleted.

Mr. FRANCIS: Mr. Chairman, I understand Mr. Aiken has made it clear that he does not want any clause dealing with this in the legislation.

Mr. AIKEN: That is correct. I have indicated that subclause 8 should be deleted. There has been an amendment which I believe is in order because it provides an alternative, but I would like to have the question put to the committee.

The CHAIRMAN (*Mr. Cameron*): I have not the amendment in a form in which I could put it to the meeting.

Mr. THORSON: There is one point that I should mention about switching to the base I indicated a minute ago. It does not involve looking into the reasons for marriage at all. It involves merely an examination of the man's health, should it be apparent that his state of health was not such as to warrant an expectation of life of one year.

The CHAIRMAN (*Mr. Cameron*): Is that in such a form that I could put it to the meeting?

Mr. FRANCIS: I would be prepared to support an amendment cutting this from three years to one year, but I would not be prepared to go as far as Mr. Aiken.

Mr. AIKEN: You will have your chance.

Mr. MUNRO: I feel that Mr. Aiken has made a definite contribution by bringing this to the attention of the committee, but I would think the suggestion of Mr. Thorson does go a long way to meeting Mr. Aiken's point, if not completely meeting it.

Mr. AIKEN: I think both questions should be put.

The CHAIRMAN (*Mr. Cameron*): Senator Stambaugh has moved an amendment; it has to be seconded.

Mr. CASHIN: I think we have already had some evidence that this is seldom applied in the two other pieces of legislation.

Is there any evidence to suggest that the mere existence of this provision does perhaps persuade people not to enter into death-bed marriages of the type that would not be bona fide under this act?

Mr. THORSON: It is a very difficult point to establish, but I believe the provision is generally known, and has been pointed out by the various staff organizations to their membership, as far as the Public Service Superannuation Act is concerned.

Mr. CASHIN: It is a very difficult case to prove anyway, is it not?

Mr. THORSON: To prove?

Hon. Mr. SMITH: If a man's anticipated life is going to end within one year, on medical advice, then the minister is going to look into it.

Hon. Mr. STAMBAUGH: It seems reasonable that there would be some preventative. I think it is some prevention.

Mr. E. E. CLARKE (*Chief Actuary, Actuarial Branch, Department of Insurance*): I would just like to say one thing. It is probably not quite the same, but when the Return Soldiers' Insurance Act came into force the provisions were unrestrictive in this regard, and the administration had very bad experience with death-bed marriages at that time. Eventually they had to put in a provision which had the effect of cutting down the number of death-bed marriages. They actually had bad financial experience and the fund, partly for this reason, ran into the hole very badly for a number of years.

Mr. KNOWLES: What was the provision? Was there a one year closure?

Mr. CLARKE: I do not remember the details at all; I just know the financial experience was very bad, and they had a lot of death-bed marriages at that time.

Mr. WILLARD: I might mention to the committee that in the case of the United States there is an absolute rule of one year.

Mr. CHATTERTON: Expectancy?

Mr. WILLARD: One of the following conditions must be met. First, that the wife was married to the deceased worker for at least one year just before he died—so, it is either a case of she was or she was not; it is a matter of fact.

Mr. FRANCIS: That is just the hard and fast rule? Mr. Lloyd was just asking if it would include a common law wife, for example. I think there are very delicate situations here, and I am curious to know what they do. The United States legislation would not presumably cover that type of situation.

I think the hard and fast rule of one year prior to the eligible benefits is not unreasonable. I think for a widow to have been married for one year prior to the death of the deceased does not appear to be an unreasonable requirement.

Mr. CHATTERTON: In the United States proposal they do not recognize love at that age?

Mr. AIKEN: It might be at any age.

Mr. FRANCIS: If we leave this we are just encouraging abuse.

The CHAIRMAN (*Mr. Cameron*): Senator Stambaugh, I take it your motion would read as follows:

> That subclause (8) of clause 62 be amended to read as follows:
> (8) Where a contributor dies within one year after his marriage no survivors pension is payable to his surviving spouse if the minister is not satisfied that the contributor was at the time of his marriage in such a condition of health as to justify him in having an expectation of survival for at least one year thereafter.

There has been no seconder for that motion.

Mr. FRANCIS: I second it.

Mr. LLOYD: Can someone explain to me where the criminal legislation comes into the operation of the statutes of Canada with a provision of this kind?

The CHAIRMAN (*Mr. Cameron*): What we have before us is a motion by Mr. Aiken seconded by Mr. Basford that subclause (8) of clause 62 be deleted. And we have an amendment by Senator Stambaugh, seconded by Mr. Francis that subclause (8) be amended and, as amended, read as follows. Do I need to read it again?

Mr. CHATTERTON: No.

Mr. KNOWLES: Mr. Chairman, one of these is hardly an amendment to the other, but perhaps we could take the votes on the two proposals.

Mr. AIKEN: Mr. Chairman, on a point of procedure, perhaps the senator's amendment should read that clause 62 (8) should not be deleted but amended as follows. I think that would be proper.

Mr. KNOWLES: There are two separate proposals.

The CHAIRMAN (*Mr. Cameron*): If there are two separate proposals I suppose Mr. Aiken's is first, and we would have to take a vote on it.

You have heard the motion that subclause (8) of clause 62 be deleted. All those in favour of the motion will please signify? Contrary minded, if any? Motion negatived.

Then, the motion of Senator Stambaugh, if I put it in your words, seconded by Mr. Francis, is that subclause (8) of clause 62 be not deleted but amended, and as amended reads as follows. Is that the proper interpretation of it?

Mr. KNOWLES: You do not need the phrase "be not deleted".

The CHAIRMAN (*Mr. Cameron*): Then, that subclause (8) of clause 62 be amended and, as amended, reads as follows:

> Where a contributor dies within one year after his marriage, no survivor's pension is payable to his surviving spouse if the minister is not satisfied that the contributor was at the time of his marriage in such a condition of health as to justify him in having an expectation of surviving for at least one year thereafter.

Mr. AIKEN: Mr. Chairman, I intend to support this motion because it is a vast improvement on the present clause.

The CHAIRMAN (*Mr. Cameron*): You have heard the motion. What is your pleasure? All those in favour? Contrary, if any? Motion agreed to.

Then, at the suggestion of Mr. Thorson, I believe, we will also reserve clause 41.

Mr. KNOWLES: I think we did that. That was item 2 of page 1 of Mr. Thorson's memorandum.

Mr. THORSON: Yes.

The CHAIRMAN (*Mr. Cameron*): All right. I thought we had two. Mr. Aiken said we had two. Maybe I am getting confused.

Shall the schedule of clause 124 of the bill carry?

Mr. KNOWLES: Mr. Chairman, I would like to enter "on division" in respect of this. I will suggest my reasons when I move an amendment later on to one of the sections of the report.

The CHAIRMAN (*Mr. Cameron*): Then clause 124 of the bill carries on division.

Title agreed to.

Preamble agreed to.

The CHAIRMAN (*Mr. Cameron*): Shall the bill as amended carry?

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Shall I report the bill as amended?

Mr. AIKEN: On division.

Some hon. MEMBERS: Agreed.

The CHAIRMAN (*Mr. Cameron*): I am glad that that is over with.

Mr. CHATTERTON: Now we come to the meat.

Mr. MUNRO: Mr. Chairman, if you are about to enter into the area of the report may I state that in respect of the report that has been handed out appendix D should be regarded as part of it. That is the part we received earlier. And, I suggest that we handle the report in a manner similar to the way we did in the steering committee; that we go through the report, as was suggested by Mr. Basford. I believe we should proceed with clauses 1, 2, 3, 5, and clause 6, but when it comes to clause 7, which contains the principles, I suggest that we leave consideration of that and pass on to clause 8, and let the principles stand because, again, those principles as set out in clause 7 may be prejudiced or prejudged by whatever happens to certain changes we are proposing in respect of clause 8. It seems to me that the practical way would be to find out what we have done in the way of changes to the bill under clauses 8 and 9 before we consider the principles in clause 7.

Some hon. MEMBERS: Agreed.

Mr. AIKEN: Mr. Chairman, this is satisfactory but it may raise some difficulties in the form of an amendment we have, but we will let it stand and move our amendment in respect of clause 8.

The CHAIRMAN (*Mr. Cameron*): You all have the report before you. I presume that the first order of business would be that the report be tabled and also that it will be recorded in the minutes. Is that correct?

Some hon. MEMBERS: Agreed.

The CHAIRMAN (*Mr. Cameron*): Where do we start? Is it your wish that I read it. If so, I will:

> The special joint committee of the Senate and of the House of Commons on the Canada pension plan (Bill No. C-136) has the honour to present the following as its third report.

Mr. AIKEN: Mr. Chairman, I think that clauses 1, 2, 3, 4, 5 and 6 have been before the subcommittee and they have been agreed upon. It seems to me we could save some time if we do not read all these.

Mr. LLOYD: Mr. Chairman, shall we dispense with reading it but have it recorded?

Mr. KNOWLES: The blank in clause 5 will be filled in when we have had our last meeting.

Mr. MUNRO: I think it will be 51 but, if we go on tonight, it will be 52. But, the first six clauses are more in the nature of a formality.

The CHAIRMAN (*Mr. Cameron*): Shall paragraph 1 of the report carry?

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Shall paragraph 2 of the report carry?

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Shall paragraph 3 of the report carry?

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Shall paragraph 4 of the report carry?

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Shall paragraph 5 of the report carry with the insertion after the word "held" of the number?

Mr. MUNRO: If we do not meet tonight this evening's meeting will be the 51st meeting. Is that not correct?

The CHAIRMAN (*Mr. Cameron*): This is the 51st meeting. I suppose we could put in the figure "51" then.

Mr. CHATTERTON: Take a chance.

Mr. KNOWLES: If we do meet tonight, Mr. Chairman, we can amend it later on.

The CHAIRMAN (*Mr. Cameron*): Does paragraph 5, with the insertion of the figure "51" carry?

Some hon. MEMBERS: Carried.

Mr. BASFORD: I thought it was agreed in the steering committee. I have read the draft presented to me, and I suggest that appendix B (1) be appendix C, and that it be renumbered.

Mr. MUNRO: I consider that very frivolous.

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Paragraph 5 is carried. Shall paragraph 6 carry?

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Shall paragraph 9 carry?

Mr. AIKEN: How about paragraph 8?

The CHAIRMAN (*Mr. Cameron*): We are letting paragraphs 7 and 8 stand.

Mr. KNOWLES: No; clause 7 stands.

The CHAIRMAN (*Mr. Cameron*): Then, paragraph 8.

Mr. AIKEN: Mr. Chairman, I have an amendment, and we intended to move this on clause 7, primarily because we have a preamble of our own within the amendment we intend to move. Now, if it would be of assistance to the members of the committee we have prepared an amendment to go in, and we could have it distributed to the members of the committee, and then read it.

This is the major amendment in substance which our party would put before the committee. I merely wanted to say a few words in explanation of it. We have gone through the bill very carefully in the steering committee and we have discussed many of the clauses. But, these are basic principles that were not accepted, and I would like to move them now, with a certain amount of explanation, if I may.

Mr. KNOWLES: Mr. Chairman, I would like to put one question to Mr. Aiken. Mr. Aiken has been good enough to show me a copy of his amendment. Would it be in substitution of paragraph 8 or in addition to paragraph 8?

Mr. AIKEN: This is the difficulty we had because we intended to move an amendment to clause 7. What I would move is that after the words "following changes in the bill" in line 5 of clause 8 the following words be added. I think perhaps I will read the amendment because it is not too long.

WHEREAS the committee supports the stated objective of the government as enunciated in the white paper on the Canada pension plan tabled in the House of Commons on August 10, 1964, which is as follows:

> "This is to establish a contributory pension plan, ensuring that, as soon as is possible in a fair and practical way, all Canadians will be able to look forward to retiring in security and with dignity,"

AND WHEREAS the committee favours a portable, contributory retirement plan geared to the needs of all Canadians and implemented without further delay,

AND WHEREAS having heard the extensive evidence presented to the joint committee, it is apparent that the plan as presently drafted falls far short of this objective, in that persons in greatest need, such as those already retired; and those with small income or casual employment will never benefit; and that large numbers of those who do qualify will have completely inadequate benefits,

THEREFORE to correct these gross omissions and inequities the committee recommends that Bill No C-136 be amended to provide that:

(*a*) all persons over age 70 receiving old age security benefits shall receive an additional uniform flat amount of not more than $25 a month to be paid from the Canada pension plan fund when the first benefit payments are made from the fund.

(*b*) all persons between 65 and 70 who meet a retirement test and who elect to draw the actuarially reduced old age security payment shall receive an additional uniform flat amount of not more than $25 a month to be paid from the Canada pension plan fund when the first benefit payments are made from the fund.

(*c*) Subject to an appropriate residence test, all persons qualifying for any pension benefit under the Canada pension plan shall receive a minimum pension of $25 a month in the case of a single person and of $40 per month in the case of a married couple.

(*d*) No one regardless of the smallness of his income shall be excluded from the plan, and to this end contributions shall be required on

total income up to the earnings ceiling from all persons earning $600 or more in the case of employed persons and $800 or more in the case of self-employed persons; and that persons earning less than these minima in each class respectively shall be credited with their actual earnings for the purpose of determining the amount of pension which they will be entitled to draw, without making a contribution.

(*e*) A student who has attained the age of 18 and is less than 25 years of age shall, at his option, not be required to make contributions in such of those years in which he is registered as a full time student at a recognized educational institution, in which case the years in which such person did not make contributions shall not be included in determining lifetime earnings.

(*f*) The transition period under the Canada pension plan be 20 years rather than 10 years, and the benefits be recalculated accordingly.

Mr. BASFORD: Mr. Chairman, on a point of order. I raise the point of order that the amendment is out of order as it is contrary to Doctor Ollivier's advice. The amendment, as it is now moved, says: "The committee recommends that Bill No. C-136 be amended", and then lists six items increasing the expenditure of the fund. This is contrary to Doctor Ollivier's advice.

The CHAIRMAN (*Mr. Cameron*): I understand it to be contrary to his advice. I understood we could not amend the bill in the manner you have suggested, but this is a recommendation to the government to do something.

Mr. KNOWLES: I think the point could be met. I could even show Mr. Aiken the wording of an amendment I have in which the following phrase is used: "Recommends that consideration be given to amending Bill No. C-136 along the following lines".

Mr. AIKEN: I did not understand Dr. Ollivier to go that far. I think he definitely said we could not bring in amendments to clauses of the bill, but I raised the question with him that this did not amount to a public expenditure or an expenditure of public funds in any case, and that this whole question had been raised when the resolution was first introduced. However, we are merely making recommendations along exactly the same lines as are included in the present clause 8, and if our amendments are out of order, so are the other amendments, and particularly clause 9 of the proposed report which recommends further government expenditures without specifying them. I do not see any basic objection. I do not know what else we can do but recommend. This is the same as a private member's notice of motion before the house. We can recommend anything, including expenditures, provided that we do not put it in the form of an enactment. I submit it is not out of order.

The CHAIRMAN (*Mr. Cameron*): Where does this amendment come in? I have not got it clearly in my mind. You have given us the substance of what is your proposal. but where do I fit it into clause 8?

Mr. AIKEN: Before item (*a*).

The CHAIRMAN (*Mr. Cameron*): Right after the words: "Of the following changes in the bill". What is your motion then?

Mr. AIKEN: I have already stated it, Mr. Chairman. I think I can state it again in the same words:

I move, seconded by Mr. Chatterton, that after the words "following changes in the bill" in line 5, clause 8, the following be added—and I have repeated the amendment that I wish to have added.

Mr. MUNRO: Mr. Chairman, did you rule that this is in order? If so, I would like to ask Mr. Aiken some questions concerning it.

Mr. KNOWLES: Mr. Chairman, I think we should deal with that point of order. May I say parenthetically that in substance I shall have to vote against this package, but I think that the only thing Mr. Aiken has failed to do is to put in a word or two. If he looks at clause 8 he will see the language we use is: "The committee recommends that consideration be given". All that Mr. Aiken needs to do is to amend the next to the last paragraph on page 1 where it says "Therefore to correct these gross omissions and inequities the committee recommends that Bill No. C-136 be amended to provide that" in this way: "The committee recommends that consideration be given to amending Bill No. C-136 to provide that". We will then be in line with the wording of our report, and we will be in line with the advice of Doctor Ollivier.

The CHAIRMAN (*Mr. Cameron*): Do you accept that suggestion, Mr. Aiken?

Mr. AIKEN: Without admitting the point—I am not going to argue with it—let us amend it and go ahead with the substance of our proposition.

The CHAIRMAN (*Mr. Cameron*): I will insert the word "consideration" between "recommends that Bill No. C-136".

Mr. BASFORD: Mr. Chairman, I raised the point of order because I think it is a good point of order regarding the advice we had. When Mr. Knowles made his interjection on how it was to be corrected, I was going to make the same suggestion.

Mr. AIKEN: I have not finished yet, Mr. Basford.

Mr. BASFORD: I am speaking to the point of order I raised. I was going to suggest, as Mr. Knowles did, that those words be added. I did not want to prevent Mr. Aiken from putting in the amendment and indulging in an exercise of political cynicism.

Mr. AIKEN: If you look at clause 9 you will see a much greater exercise in political cynicism.

The CHAIRMAN (*Mr. Cameron*): The motion has been made by Mr. Aiken and seconded by Mr. Chatterton. Mr. Aiken has agreed to the final paragraph before the operative paragraph being amended to read "Therefore to correct these gross omissions and inequities the committee recommends that consideration be given that Bill No. C-136 be amended to provide that". There seems to be something missing.

Mr. KNOWLES: "That consideration be given to amending Bill No. C-136 to provide that".

The CHAIRMAN (*Mr. Cameron*): "Therefore to correct these gross omissions and inequities the committee recommends that consideration be given to amending Bill No. C-136 to provide that". Is that correct?

Mr. LLOYD: With that change of wording I take it you rule the amendment is in order.

The CHAIRMAN (*Mr. Cameron*): Once I agree on the exact wording. It is "The committee recommends that consideration be given to amending Bill No. C-136 to provide that". If Mr. Aiken is agreeable, I will rule the motion in order.

Mr. AIKEN: It is a technical point, Mr. Chairman, and it is not worth our time to argue about it. I would be happy to accept it on that basis.

Without taking very long I would like to make just a few comments. It has been fairly evident throughout the whole of the evidence that there are several classes of persons within the Canadian economy for whom no provision is made under the bill. The first class which we had mentioned in our proposed amendment includes those now over the age of 70 who will not have an opportunity to come into the Canada pension plan under any circumstances.

The second group are those between the ages of 65 and 70 who have now retired or who will retire within those age groups. Some may continue in their employment, some may continue on to the pension plan to an age between 65 and 70 but will not have sufficient provision for their retirement.

The other group for which concern has been expressed are those people who will, because of unemployment, illness, widowhood or consistently small earnings, receive an inadequate pension although they have made contributions to the fund. We have recommended, as will be seen, that a minimum pension be established for those who are within the plan.

Then there are those whose incomes are under $600, who have been unable to contribute to the plan, and who should have some pension. We have made a special provision under (*d*) for these people and have provided that those earning over $600 shall be taxable from the first dollar on their earnings. Those earning under $600 will not be required to make contributions, but they can be credited with earnings under $600 without making a contribution. This would cover people who otherwise may have years of zero earnings or who would not be counted under the present plan and who may continue that way for some years. They would be able, in such a case, to use the amount of their actual earnings, small as it might be, to raise their average for pension purposes.

Also, we have made provision in connection with students. I think all of us on the steering committee were pleased that the report that came in raised the drop-out period to 20 per cent from 10 per cent, and we agreed with that. However, we think a special case should be made for students. It now has become quite the fashion and right to encourage young people to continue with their education as long as they can. We would not want to have anyone drop out of their educational effort because they might lose years of earnings which could be added to the Canada pension plan. For that reason we are suggesting that if they are registered as full time students at a recognized educational institution they may, at their option, not count that period in which they are students. On the other hand, it is not a necessity; they might have years of summer earnings which they would like to include, and if that is the case it is a matter of their option.

We have agreed finally to a transition period extension from 10 years to 20 years. This is actually part of the package making some provision for the collection of benefits and reduced out payments to assist in financing the first three recommendations.

That is all I have to say, Mr. Chairman, at the moment. Mr. Chatterton has seconded my motion, and I believe he has some remarks he would like to make as well. This is a brief outline of our major suggestions.

The CHAIRMAN (*Mr. Cameron*): I think we ought to hear Mr. Chatterton first as the seconder of the motion.

Mr. CHATTERTON: If somebody else wishes to speak now, I won't mind coming on later.

The CHAIRMAN (*Mr. Cameron*): Mr. Munro and Mr. Knowles both have indicated they wish to say something on the motion, but I think it is more appropriate that you make your remarks now as seconder of the motion. However, you may defer if you wish.

Mr. CHATTERTON: Mr. Chairman, I think evidence has been given that there are wide gaps in the plan; I do not think anybody denies that. In the report you are proposing you are bringing this to the attention of the government and asking the government to consider this by some other means. However, we feel the government has as much responsibility to those who now are retired as to those who may be retired in the next few years. For example, there are close to one million people now who are on old age security who

receive nothing under the plan. I know that in due course the retired group of over age 65 eventually will disappear; that is, those who receive nothing under the Canada pension plan. But how soon does this happen? For example, 10 years after the plan has been in operation it is estimated that for the whole of Canada, including Quebec, some 66 per cent of the retired people over age 65 will receive nothing under the Canada pension plan. Some 32 per cent of those retired over age 65 ten years after the plan has been in operation will receive an average benefit under the Canada pension plan of only some $45, and some 1.5 per cent will receive an average benefit of $119. Also, according to the figures prepared by the chief actuary, with regard to people over age 65—this is in the provinces excluding Quebec—by 1970, 86 per cent of those retired over age 65 will not receive any benefit under the Canada pension plan.

Even in 1980 a majority of those over age 65 retired will receive no benefit under the Canada pension plan. Now, this gap exists. But, on the other hand, a certain other group gets a very large windfall. For example, those who contribute for only 10 years and then retire. It has been estimated that a person with maximum earnings retiring at age 65 after 10 years contribution receives a windfall of an unearned bonus of up to $18,000; that is over and above what his and his employer's contribution would pay for. So, on the one hand, we have a group that receives nothing, or very little, and another group which receives very large bonuses.

Our proposal is more or less to even out, by including the group retired as well as the group at age 65 who elect to take the reduced old age security. Then, there is another group who earn consistently less than the minimum of $600 for those who are employed and $800 for those who are self-employed. These are the people, I recognize, who with old age security may end up with a greater pension at age 70 than they may have been earning, but the fact is these people are those least able to provide for their future retirement. We feel there should be a minimum of at least $25 to all those who are single, and $45 to a married couple.

We realize all of this will cost money. I realize there may be other suggestions that this gap may be filled by way of an increase in the old age security contribution. However, we feel the Canada pension plan is the proper vehicle for doing this, because the plan will build up and there may be a fund estimated at some $8 billion in the 1980s outside of Quebec. We feel there will be tremendous pressure before very long to have these gaps filled by drawing on the fund. We believe it is better to provide further now so that everybody knows this is going to be done now.

To provide for part of the additional revenue, we recommend extension of the transition period to 20 years and we recommend that for all those earning above the minimum, deduction shall be made from the first dollar. Further, generally speaking, Mr. Chairman, we feel this is more equitable all around. I know people will say we are giving something to those who do not contribute at all. The fact is that under the government proposal there is very little direct relationship between the benefits received and the actual contribution made in many cases. So, it is a matter of degree, whether you pay a person a large bonus for a small contribution or pay him something on the basis of no contribution.

We feel generally that our proposals do not make the bill perfect, but we think they improve it and even out the major inequities and fill some of the major gaps.

Mr. MUNRO: Mr. Chairman, looking at the document presented by the Conservative members of the committee and listening to their comments, I think some points should be brought out. It would appear, in looking at the document on page 1, and the majority of the recommendations on page 2 also,

that in essence they are recommending a flat rate benefit to all Canadians irrespective of whether or not they contributed to the plan or are covered under the Canada pension plan. You recommend a flat benefit be payable of $25 each.

Mr. CHATTERTON: On retirement.

Mr. MUNRO: Yes. Obviously you are ignoring the principal feature of the Canada pension plan, inasmuch as it is an earnings related plan and a contributory plan to provide protection for all those people before retirement who are going to make contributions and thus provide some protection for themselves.

When you try to bring in a flat rate benefit for all people who do not make contribution under the plan, I think you are guilty of misinterpreting in essence the purpose for which the whole Canada pension plan was designed. This inconsistency and contradictory approach appears on page 1 of the document you have just presented. At the top of that page you quote from the White Paper of August 1964 and say:

> This is to establish a contributory pension plan, ensuring that, as soon as is possible in a fair and practical way, all Canadians will be able to look forward to retiring in security and with dignity.

I would emphasize the words "all Canadians will be able to look forward to—". I think by quoting that particular paragraph they did not do any service to the point they wish to establish. In other words, this plan is for those Canadians now in the work force and who can come under it as wage earners, as well as people who are self-employed and who can make contributions.

So obviously that paragraph is completely inconsistent with the third paragraph down from the top of the page which goes on to say:

> And whereas having heard the extensive evidence presented to the joint committee, it is apparent that the plan as presently drafted falls far short of this objective . . .

They are talking about that objective just quoted from the White Paper. The paragraph then continues,

> and they are taking in only persons of the greatest need such as those already retired.

In the first paragraph again I would point out obviously that it was designed as the wording indicates that this plan was not designed for those already in retirement. So the two paragraphs, in essence, indicate a basic misunderstanding of the Canada pension plan.

Another point that should be drawn to the attention of the Conservatives is that in their argument as presented here, these two objectives completely ignore the argument advanced by Premier Robarts and also by Senator McCutcheon, that there should be some concern for priorities in this country as far as governmental action is concerned. If we adopted their recommendation this would create the case, where in vain of the evidence on record, the Conservative proposal would establish a tremendous load on the fund even if you did lengthen the transition period. Thus we would be confronted with the first objection that money would not be available for social objectives required to be met by the provinces. This would run counter to the priorities argument immediately, as advanced not only by Premier Robarts but also by Senator McCutcheon, when they speak of such things as the unsatisfied need for schools and medical establishments.

Another point is that this plan has evolved through a series of compromises between the federal government and the various provinces in order to

preserve national unity, and that such compromises had to be made all along the line. It has been acknowleged by everyone, even by the premier of Ontario who said that is why his province was coming under it, in order to preserve national unity, and uniformity of legislation from coast to coast.

I am sure they are well aware that there is a particular province, such as the province of Quebec, that is concerned, and that province has insisted, in the initial stages, there be a healthy fund in order that some of these social objectives may be met, and that the province must be guaranteed some revenue through the fund in order to meet some of their obligations to provide some of the social objectives falling under these priorities.

I think another point to be emphasized is that when we talk about gaps, there is nothing in this report which would indicate that the government or the Liberal members are not aware of all these people in retirement, who were never meant to be covered under the Canada pension plan. We have advanced clause 9, of the Draft Report before the Committee, which is a recommendation to the government that action should be taken or consideration given to provide for these people already in retirement, or soon to be retired.

This committee has gone on record and they have taken note of clause 9 in requesting the government to give consideration to undertaking the care of some of these people who from the very nature of the Canada pension plan cannot be covered under it. So I think that this gap is taken care of right in the report itself.

Aside from these initial points, I would like to ask Mr. Aiken a few questions concerning paragraph (*a*) of their proposals. As I understand it, he recommends an additional benefit of $25 maximum, presumably, and he says that the government after investigating may decide to make it $15 or $20. That is O.K., but they say not more than $25 to everyone in Canada over 70 years of age who, of course, would be receiving old age security.

Even if we adopt their recommendation at the maximum, this would make it $100 a month. In the last sentence of paragraph (*a*) he refers to "when the first benefit payments are made from the fund." My question is this: Does he mean that on the first of January 1966, presumably? Is that when the first benefits would be payable? Or does he mean rather that on January 1, 1967, the $25 would be paid to all people of the age of 70 years but not to any of these people who will become 70 after January 1, 1967?

Mr. AIKEN: Well, in the first place, in answer to that, the benefit payment of course would not start on January 1, 1966, because if that is when the contributions start, there is nothing in the fund. We anticipate that no benefit payments would be made until the following year. You will notice that we have two clauses, (*a*) and (*b*). Clause (*a*) deals with persons over 70 at the time that the first benefit payments are to be made, while (*b*) deals with persons between 65 and 70 who will at the same time, or at the same crucial moment, meet the retirement test.

Mr. MUNRO: May we not just ask with respect to clause (*a*): Does this mean an additional $25, if that were the maximum adopted, to be payable to those aged 70 on January 1, 1967, but not to those people who will become 70 after that date? That is just a simple question. I wonder if you can answer it?

Mr. AIKEN: I am afraid I do not quite understand the import of your question.

Mr. CANTELON: Might I answer the question?

The CHAIRMAN (*Mr. Cameron*): Yes.

Mr. CANTELON: I am not sure that I understand the question, but I think I do. If you will look at paragraph (*c*) to which we have not yet arrived, you will

see that after the pension plan begins, everybody who then qualifies for pension shall receive a minimum pension of $25 a month, so this at the same time would take in everybody under our clause, and it would make provision for everybody in the plan.

Mr. MUNRO: Under paragraph (c) of your proposal let us suppose somebody is 69 years of age on January 1, 1967, and he has made no contribution and is not covered. I am thinking of a housewife or someone like that, under the Canada pension plan, and he or she is 69 on January 1, 1967. That person receives no benefit presumably, or does he come under paragraph (c)?

Mr. CANTELON: I do not see how he could fail to get a benefit under paragraph (c), because under it everybody would be covered, no matter how small his contribution.

Mr. MUNRO: Even though he has made no contribution?

Mr. CANTELON: I think that is our interpretation.

Mr. MUNRO: Your wording is:

> Subject to an appropriate residence test, all persons qualifying for any pension benefit under the Canada pension plan shall receive a minimum pension of $25 a month in the case of a single person and of $40 per month in the case of a married couple.

I would emphasize the words "qualifying for any pension benefit under the Canada pension plan".

I put it to you this way: A person is 69 on the first of January 1967 and he does not qualify for any pension benefit under the Canada pension plan. He is not covered under it. He is not a wage earner and he makes no contribution. Presumably for those two reasons we would not qualify for benefit under paragraph (c) because he does not as your own wording states qualify for any pension benefit."

Mr. CANTELON: Yes, but let me refer to clause (d) which says:

> No one regardless of the smallness of his income shall be excluded from the plan, and to this end contributions shall be required on total income up to the earnings ceiling from all persons earning $600 or more in the case of employed persons and $800 or more in the case of self-employed persons...

Mr. MUNRO: Under paragraph (d) what pension would he receive, if he does not get any pension under paragraph (c)?

Mr. CANTELON: He cannot be eliminated.

Mr. MUNRO: You are talking about the levels in paragraph (d), but you do not indicate what pension that person would get.

Mr. CANTELON: I think paragraph (d) is quite specific in the first couple of lines, when it says:

> No one regardless of the smallness of his income shall be excluded from the plan,...

I do not see how it could be made more exact than that.

Mr. MUNRO: I see. In effect you say that people who never made any income at all are going to be covered under paragraph (d) but when you talk about incomes under the plan, they make no contributions and they are not covered. May I go back to your paragraph (a) and I see that the benefit there when the plan comes into operation is that of $25 to everybody who is 70 and over, and what of those who later become 70? Are they going to qualify for benefits under paragraph (a), and if so, is it to be a benefit that they receive as an additional benefit to the benefit provided under your paragraph (c) over and above $25?

Mr. AIKEN: No. Paragraph (*c*) is the minimum allowance under the Canada pension plan.

Mr. MUNRO: I take it it must be the case that you are referring in (*a*) just to those people who are 70 and over when the plan comes into operation but not to those who are 70 and over a year after the plan comes into operation. As far as those people are concerned, (*a*) has not application. Is that right?

Mr. AIKEN: They will receive a flat benefit if they are not under the Canada pension plan.

Mr. MUNRO: Under what clause in your amendment will they receive the flat benefit?

Mr. AIKEN: I do not know what Mr. Munro is driving at. Would you mind telling me who you think is excluded under the provisions of (*a*), (*b*), (*c*) and (*d*)?

Mr. MUNRO: I thought if the Conservatives were proposing these amendments they would tell us what they meant.

Mr. AIKEN: We understand them quite clearly. I am trying to find out what you do not understand.

Mr. MUNRO: Let me put it in this way. Can you tell me whether (*a*) pays a $25 benefit to all those people, when the plan comes into operation, who are 70 and over and also to people who become 70 after January 1, 1967? I am going back to my original question under (*a*).

Mr. AIKEN: Yes.

Mr. MUNRO: I see. Then if the answer is yes to (*a*), I would say that under (*c*) which says, "subject to an appropriate residence test all persons qualifying for any pension benefit under the Canada pension plan shall receive a minimum pension of $25 a month in the case of a single person and $40 per month in the case of a married couple" that amount would be over and above the $25 they receive in (*a*). It must be, must it not?

Mr. AIKEN: No, I do not think so.

Mr. MUNRO: Well, under (*a*) you do not even have to be a contributor. You do not even have to be a wage earner under the Canada pension plan; but under (*c*) you do.

Mr. AIKEN: Mr. Chairman, may I put it in this way? There is no intention to benefit twice under clauses (*a*), (*b*), (*c*) *or* (*d*). The intention is to provide a minimum additional pension for those people who have not otherwise qualified.

If there is a hiatus there for some people who may be 69 at a given date, that is regrettable, but I do not think there is. If not, it is not intended that a person should get $25 additional old age security and also an additional $25 under clauses (*b*) and (*c*). Clause (*c*) is merely a provision for a minimum pension. A person should not get $23.97 or $15.70; if he has contributed to that extent he will get a minimum pension of $25.

Mr. MUNRO: Then, as I read it, under clause (*a*) somebody of 70 years age on January 1, 1967, would get $75 old age security now and would get an additional amount of $25 under this proposal, so it would be a total of $100. If the wife is also 70 or over, and she would get $100. That would be $200 under clause (*a*) assuming both are over 70 on the 1st of January 1967, the time when the first benefit payments are made from the fund.

Mr. AIKEN: But they will continue to be over 70 as long as they live!

Mr. MUNRO: Under your clause they will each get $100.

Mr. AIKEN: Yes.

Mr. MUNRO: Let us turn to clause (*c*). Say someone is 69 years of age and qualifies for a pension benefit under the Canada pension plan because

of being in it one year, prior to retirement and making contributions for that year counting your minimums, he and his wife in total would get $190, $10 less than the person who retired one year earlier and made no contribution at all.

Mr. CANTELON: May I comment on this, Mr. Chairman?

I see nothing wrong with that because that is what is built into the plan as it is today. You are actuarially reducing the pension for everyone retiring at ages below 70. All we have done is to add just another $25.

Mr. MUNRO: I am saying the person of 69 who qualifies for benefit because he is covered under the Canada pension plan, who does not take his benefit, but who makes his contribution for that year, and becomes 70, would then, because he qualifies under the Canada pension plan in clause (*c*)—would not he and his wife both being under 70 fall under (*c*)?—thus they would get $190; whereas the couple under (*a*), who are not covered under the Canada pension plan, who made no contribution at all, will get $200.

Mr. CANTELON: But you are omitting the fact that he retired one year earlier than the other.

Mr. MUNRO: No, I am saying he does not retire, but that he is covered under the Canada pension plan and he is a wage earner for one year and retires at age 70.

Mr. CANTELON: He will not get anything if he does not retire.

Mr. MUNRO: Then he retires at 70.

Mr. CANTELON: He will not get anything until he is 70, and then he will get $75 and $25; he will get $100, the same as the other man.

Mr. MUNRO: No.

Mr. CANTELON: I do not understand your mathematics.

Mr. MUNRO: When he retires at age 70 he will qualify for a Canada pension plan benefit, under clause (*c*). You have $40 a month for the case of a married couple there, so when he and his wife are 70 he will get $75 old age security, and his wife will get the same. Instead of each of them getting an additional $25, which they would have under (*a*) if they were not covered under the Canada pension plan, they get $40 or a total of $190. So the poor man who is covered under the Canada pension plan will get less because he had to make contributions for 1 year before he and his wife attain the age of 70 and retire than the couple under your clause (*a*) who were not covered under the Canada pension plan, who made no contribution at all, and just because they retired at 70, one year sooner than the other. Can you point out the logic in that? Of course, this would apply equally from 69, 68, 67 and so on.

The CHAIRMAN (*Mr. Cameron*): I think Mr. Aiken has said that no one is intended to get more than $25 a month.

Mr. MUNRO: But under this proposal they will get less. They will get less and presumably the reason for the advancement of the proposal in the first place was to wipe out inequities. All it does is point up some severe ones.

Mr. CHATTERTON: It is much less an inequity than exists now, in our opinion.

Mr. MUNRO: I think there are other questions we want to ask regarding this, but I would also like to ask them about clause (*d*).

I am wondering if it is not redundant in view of clause (*c*), which says that all persons qualifying for any pension benefit under the Canada pension plan shall receive a minimum of $25 a month in the case of a single person and $40 a month in the case of a married couple. This in fact guarantees a pension. So I am wondering what is accomplished by (*d*).

Mr. CHATTERTON: Under your proposal those who have not contributed under the $600 and so on would get nothing at all. They would not qualify in your proposal. Is that right?

Mr. MUNRO: I thought you were guaranteeing a minimum here, either under (*a*) or (*c*). Under (*a*) you have indicated that you are guaranteeing the minimum, so what is the difference?

Mr. AIKEN: I think, Mr. Chairman, that subclause (*d*) carries out the intention that those who earn over $600, or $800 if self employed, shall pay their contributions from the first dollar instead of the amount that is over $600, as presently is the case in the plan. Those who earn less than those minima will not be required to contribute, but on filing a statement of income of less than that amount they will be able to benefit for that year. They will be credited for that year with the amount of their income without making a contribution, and this will permit persons who have a low income in some years to declare their actual income—perhaps $400 or $550—in the calculation of their lifetime earnings—whereas otherwise they would be included as zero earnings. If they are people who are unemployed or disabled or widowed, or in some other way have low income over a number of years, this will assist in bringing up their average lifetime earnings.

That is the best explanation I can give of clause (*d*).

Mr. MUNRO: Then, Mr. Chairman, referring to clauses (*e*) and (*f*), as a result of compromises that were reached by the various parties represented on the steering committee it was resolved that a drop-out of 20 per cent—

Mr. BASFORD: Should you mention what happened in the steering committee?

Mr. MUNRO: If I was not supposed to refer to what happened in the steering committee, I apologize.

Mr. AIKEN: I did so. I said I was pleased that the 20 per cent had been arrived at and I made no other reference, but I said there was one class of person to whom it would not be sufficient an answer. That is why we suggested that in addition students be allowed to exempt years in which they attend an educational institution.

Mr. MUNRO: My point is that the 20 per cent provides a maximum 9.4 years of drop-out. This is quite extensive.

It has been pointed out that this, to a large extent, takes care of the objections of the teachers, firemen and everyone who has come before us. I think we are all agreed. I would suggest that 9.4 per cent also to a very large extent takes care of those students who go to school between the ages of 18 and 25. You can drop out those years of lowest earnings. Because of their education, they will probably come to the very maximum level of income in the rest of their years. They will certainly reach the ceiling and be well over the ceiling, thus they will get the maximum benefit under the plan in any event.

It should also be pointed out that one does not hear mention of any eligibility requirements, in clause (*e*) and you are prejudicing those students who might otherwise receive supplementary benefits, such as disability and so on, because they are not covered in the plan for those seven years from age 18 to 25. If they become disabled at any time during that period or if they die, their wives would not receive any benefit as survivors. If they became disabled their families would receive no benefit, nor would their children receive any benefit during that period.

And, for that matter, even after their educational period, say, at age 25, it takes, I think, a minimum of five years to qualify for disability, and if they were injured in the meantime during that five year period they would

be affected. I do not think it is fair to the students involved to implement subclause (*e*). I think it does a disservice to them in many ways.

So far as your subclause (*f*) is concerned, when they are talking about a 20 year transition period apparently the Conservative party wishes to go on record—

The CHAIRMAN (*Mr. Cameron*): Perhaps you should use the words "the mover of the motion".

Mr. MUNRO: Yes, the mover of the motion wishes to go on record to the effect that all those middle aged Canadians actually 10 years away from retirement or less than 10 years will be denied either maximum or almost maximum benefits under the Canada pension plan by extending the 10 year transition period to 20 years, and certainly I do not think any of us could agree with that proposal.

Mr. AIKEN: Mr. Chairman, in respect of the students, I would like to point out, firstly, that the right to exclude those years is optional. The student has the option of being in or out of the plan. Now, it is just possible, and in many cases it occurs, that a student may leave his university for two years and go out to work, and then come back at age 23 and take a master's or some such degree. The two years in which he was earning could well be taken as his option of two years of earnings. To say that this is not fair to the students seems, to me, to be absurd because if you take the 20 per cent we now have, which allows them, say, nine years, seven of those will be gone before he is age 25, and he will have just two years in his whole lifetime from age 25 until age 65 in which he could be sick, unemployed, unable to contribute, or any one of many things could arise, and it is not unfair to him. It leaves a margin of only two years. We say he should not have to think of this when he is trying to decide whether or not he should continue his education; he should be able to continue his education to age 25 without being penalized by being left out of earning years, and if he so desires he could start at any time up to age 25, and he could exempt any year or number of years. We think this is fair and equitable.

Mr. MUNRO: Mr. Chairman, surely if a student is earning a little over $600 a year, that is the situation we are concerned with. The great majority of those years, if not all of them, are going to be excluded from the calculations in respect of the benefit due to the 20 per cent dropout. It is not going to hurt his benefits on retirement and, so far as the contribution is concerned, at $600 or more you are talking in terms of less than $12 a year, and for that minimal amount you are going to exclude the student from getting disability benefits as well as survivorship benefits.

Mr. CHATTERTON: He has his option.

The CHAIRMAN (*Mr. Cameron*): This is rather an unusual sort of debate which is going on. I have allowed it to go on because Mr. Munro was putting questions and endeavouring to seek answers to the interpretation of Mr. Aiken's motion.

If there is nothing further you wish to say, Mr. Munro, Mr. Knowles has indicated he wants to say something on the motion.

Mr. KNOWLES: Yes, Mr. Chairman. Briefly, I say that I go with Mr. Aiken; perhaps I should say that he goes with me in the effort to do something about the gaps in our over-all old age program, which had been drawn to our attention repeatedly during the sittings of this committee. However, I am afraid that that is as far as we travel together because I feel that the proposals that are cut out in Mr. Aiken's amendment do not represent the best way to try and fill these gaps.

Several times during the course of our sittings I have criticized witnesses for telling us what was missing, but this is suggesting what we should do. I am not in that category. I would be critical of Mr. Aiken's proposal. And, may I indicate that when we get to clause 9 of the report I shall be moving an amendment, the purpose of which is to deal with the gaps Mr. Aiken is concerned about in his amendment.

Having said that, may I deal with the various proposals that he makes. I do not propose to try and tie up Mr. Aiken, Mr. Chatterton or Mr. Cantelon in the complications of their scheme; I prefer to meet it head on in terms of the principles or the philosophy behind it.

Parts A, B and C, as I take them, all aim at increasing the amount of income in the hands of our older people whether it is those now over age 70, those now between ages 65 and 70 or those who will get older later on. In all cases the proposal is either that there be a $25 addition or that there be a minimum guarantee of $25. Now, I want to see this kind of advantage, and I will be proposing it when we get to clause 9. But, the first thing I think that is wrong in respect of all three of these first items is that they make charges on the Canada pension plan which should not be made on the fund of that plan.

If we start in by paying $25 a month to all Canadians over age 70 and charge that to the Canada pension fund we are going to throw that fund out of gear so far as the plans that have been made for it are concerned. I think that the $25 a month which I believe should be given to our citizens aged 70 and over and to those between ages 65 and 69 should not be a charge on the Canada pension fund but should be a charge on the old age security fund, or should be provided by means of taxes on a basis of graduation.

If I might pick up one word which Mr. Munro used, I think what Mr. Aiken is trying to do is to bring some of the flat rate aspect of old age security over into the Canada pension plan. I do not think you can mix them. I favour a two stage plan, a flat rate benefit and an earnings related benefit; but, I think we have to keep the financing of these separate and that it is a mistake to charge a flat rate element for a retired person to the Canada pension plan. I also think there is a serious question of administration in respect of these first three categories, A, B and C in this respect; they all speak of payments being made out of the Canada pension fund. Now, I would like to know where these payments are to be made to persons over age 70 in provinces which are not participating in the fund. I would assume that if we are going to improve the pension position of persons over age 70 in Canada we will do it across the country. But, if there is any question about that I think it should be cleared up.

I would like to say a special word in respect of paragraph (*b*). One of the things I do not like about it is that it seems to accept the proposal in the bill for an actuarial reduced old age security benefit between ages 65 and 69. I think it is pretty clear in this committee that, generally speaking, I welcome Bill No. C-136 and that I like the Canada pension plan. I think it has stood up well to the criticisms made of it. But, this one feature in the bill, that of actuarial reduced pensions is one which, in my opinion, I do not think will stand up in our Canadian scene. If the bill goes through as it is and you have the situation of these people having to start off at $51 a month old age security because they had to take it earlier and they have to stay with that rate for the rest of their lives, subject to any adjustment in the flat rate, in my opinion it will not work. I do not think we should be blessing that by this kind of proposal. In other words, all three of these first proposals made by Mr. Aiken, in my view, should be considered and should be dealt with. The problem should be met. But, I think they best can be met by direct increases in old age security and by lowering the eligible age. And, when we get to clause 9 of the report I shall make an amendment to that effect.

If I may move quickly now to paragraph (*d*) of Mr. Aiken's amendment I like the proposal that we find a way to blanket in for crediting purposes those whose income is less than $600 a year employed or $800 a year self-employed but I do not like the proposal to impose tax or contribution on the income of persons below these figures. One of the things I think is good about the present contribution structure is that it weights it in favour of the low income group. It does that by making no charge on the first $600. If one starts putting a charge on the first $600 you remove that weighting element.

Mr. FRANCIS: On a point of clarification, Mr. Chairman, it seems to me that this proposal will not make a levy on people who earn less than $600 or $800.

Mr. KNOWLES: Just a moment, read the second line: And to this end contribution shall be required on total income.

Mr. FRANCIS: Only in the case of persons earning in excess of that.

Mr. KNOWLES: Earning more than $600.

Mr. FRANCIS: I am not being sympathetic; I am trying to clarify a point.

Mr. KNOWLES: I would like the part of (*d*) which gives to people who earn less than $600 a credit, without making a contribution. I like that, but what I do not like is the fact that the $1,000 man, under this plan, will have to pay his 1.8 per cent on the whole $1,000, and in so doing lose the weighting advantage that is there when the first $600 is not taxable for those who contribute. Again I do not think that (*d*) as proposed by Mr. Aiken meets this problem, and I suppose I am making part of the speech I will make tonight when we get to clause 9 of the report.

The CHAIRMAN (*Mr. Cameron*): Maybe you will not have to repeat it.

Mr. KNOWLES: You know me better than that! I think the simplest way to handle all this is by increasing the benefits paid under the flat rate program and by lowering the eligible age.

Now, with regard to (*e*), the points I wish to make have, for the most part, been already made, but perhaps I can restate them briefly. I think we were all impressed with the case made by the students, the firemen and the teachers, and no doubt there are other groups. Incidentally, as automation goes on there will still be more groups where this will be a problem, but I think it is better to deal with this by the kind of things we have done in the steering committee, by raising the drop-out period from 10 to 20 per cent, than by trying to pick out special categories. If one should pick out special categories, such as students, firemen or teachers, there will be other groups asking for the same all down the line. This is bound to grow as time goes on. I do not think Mr. Aiken has effectively answered the point that it is unfair to students to deny them the right to get the benefit of certain years of contribution for purposes of disability benefits and other supplementary benefits. I heard him say in answer "But there is an option there", but is it not too late, after the student is taken ill, has become disabled or after he has died? Should not the credit be automatic? That is what the bill provides as a deterrent, and with the 20 per cent I think we have gone quite a way in meeting this.

Point (*f*) in my view is quite unacceptable. I realize that Mr. Aiken offers it in part as a means of saving money so we can pay some of the other benefits. I think there are other ways to raise money on taxation scales that are equitable, but the plain fact of the matter is that what this does is to say to all the Canadians now 55 years of age and over, who have been anticipating 10 years from now a pension of so many dollars, "That pension under the Canada pension plan will be exactly half of what it would otherwise have been." I support the principle that if we will get this kind of scheme going, we should get it going as quickly as possible. Therefore, I do not like the effect of (*f*).

I am back where I started. I support the motives which Mr. Aiken has. I am with him in it, that we have to do something to fill the gaps. I shall try to make my proposal with regard to clause 9. I think this package, when you look at it in its entirety, is one that defeats the purposes that we are concerned about.

The CHAIRMAN (*Mr. Cameron*): A number of members of the committee have indicated they want to say something. They are Mr. Cashin, Mr. Lloyd, Mr. Francis, Mr. Basford, Mr. Prittie, Mr. Macaluso and Mr. Gray.

Mr. CASHIN: I will try to make it as brief as possible. I think the point has already been made before in this committee, that there seems to be, for one reason or another, confusion when we talk about the Canada pension plan and gaps that exist. I think we have to recognize that this is a device for planning for the future so that the people now in the working force will not be confronted, in the years to come, with the necessity of depending on the questionable beneficence of a paternalistic government.

I think enough has been said. The point I would like to emphasize now is that paragraph 9 in the draft recommendations of the steering committee seems to me to be infinitely superior to the suggestion here because it recognizes, as Mr. Knowles has said and others such as Mr. Munro, that these are separate problems. Consequently, since it is a separate problem, I think we must look at social security and what we are going to do for the present old aged in relation to the whole field of social security. In fact everyone agrees the present $75 a month, or even $100 a month or a higher amount, might still be inadequate pension for somebody who is retired. However, I think we have to admit there are a million old age pensioners in this country who, while they may not be treated as adequately as they would like, still have an opportunity to express their views and make demands for adequate treatment in a far more vocal way because of the size of their group than many other groups in our society who are being ignored in the amendment that has been brought here today.

I think that we have to have a balanced approach to the whole field of social security. I am thinking of education, present social assistance, and what we are going to do in health. If we are going, perhaps for political reasons or perhaps for humanitarian reasons, to increase the pensions to $100 a month, we have to ask ourselves, "What does this do to our other social security measures?" I think this is a very important question and I think that by confusing, for one reason or another, the gaps and what we are trying to do in the Canada pension plan, we may be doing a disservice to the whole population and the whole problem of social security. We are now planning for the future. If we cannot, in so planning, remove all the problems of old age, then I think that is not a reason to deter us from doing what we are going to do in this Canada pension plan.

There were other things that were mentioned, for example, the great concern that is expressed about the $600. In this plan now we might be taxing by giving a guarantee of $100 a month to a man who is making $400 a year and has been making that for the past 12 years. If we guarantee him $100 a month when he is 70, what are we doing to the resources of the country so as to do something about his real problem? The fact that he had to wait to the age of 65 or 70 to make $1,200 a year I think is a much greater problem than the $1,200 a year.

For example, there are a great many inequities and anomalies that exist in our whole approach to social assistance. Widows, orphans and disabled persons are not covered here. We will go on neglecting them, will we? I would like to say that I think we made a sound start and a balanced approach to social security. I agree with Mr. Basford's comment that some political cynicism has been introduced here.

Mr. LLOYD: Mr. Chairman, in general I subscribe to and support the views expressed by Mr. Knowles when he indicated that he thought the flat rate benefit provision for old age security should be financed, if you like, from the existing structure of taxes, or some improvement made thereon, and that, in broad principle, the wage related pension plan should be financed, at this stage certainly and in the light of all the statistics and information we have, from the payroll deductions.

You could carry both of these things to extremes, and this reminds me of a quotation from the United States Supreme Court which said that the power to tax is not only the power to destroy but also the power to keep alive. Well, it seems to me that if you are going to keep alive the economic growth practice in your economy you should to some extent, certainly, relate what you do to the growth in your economy.

On the other side of the coin, if you have contributions from wages to finance a scheme of benefits, I think it is wrong to take the contributions from small wage earners; certainly, you are taking all of those above $600 and asking them to contribute to a benefit scheme. I think it is wrong to ask that class of taxpayer to help finance the flat rate benefits to the extent that you would as proposed in the amendments submitted by Mr. Aiken. If Mr. Aiken had said that we wanted to divide the funds received from the payroll contributions between a wage related pension scheme and so much for the old age security, then one might perhaps have a better understanding of the objectives which this amendment propose to achieve. In principle, I cannot see any justification whatsoever for transferring funds, if you like, from the payroll deductions into flat rate benefits. I think that is something that stands on its own feet. I think that those who pay income tax above exemptions, such as corporation profits and sales taxes, are the sources for flat rate payments. I am afraid that the flat rate benefits proposed by Mr. Aiken in his resolution indeed would depart from the principle of financing which is inherent in the Canada pension plan. For that reason I simply cannot support his motion.

In short, Mr. Chairman, I think the old age benefits should be the subject of some other study. In the report on page 7, clause 9, we do indicate there is a need to examine a new situation which will arise when you bring the Canada pension plan into operation.

Mr. KNOWLES: I welcome your support for my amendment.

Mr. LLOYD: I should say I am keeping in mind the principle of responsible government, in respect of committing public funds, that the initiative must come from the government.

Mr. FRANCIS: Mr. Chairman, it seems to me that the recommendations follow fairly closely the recommendations of the province of Ontario. I have in mind that the government of Ontario in its brief to us indicated that they participated in no fewer than six federal-provincial conferences at which these matters were discussed. These proposals as spelled out in detail before the committee, if adopted, would call for another run of federal-provincial conferences and substantial delay before the plan could be brought into effect. If for no other reason, I think this committee should rule against it.

There is the additional problem that they would be applicable to participating provinces only, which would bring about an anomaly such as I have in mind in the Ottawa area. In the event these recommendations were adopted, on one side of the Ottawa river a person over 70 would get $100 a month, and on the other side, the person would get a benefit of $75 a month old age security. Whether or not the provincial plan would go along with this could be determined only after further negotiations.

Apart from that I find the recommendations confusing and difficult to understand. I think basically they are much simpler than they have been set out before us. As I understand the recommendations, for everyone over 70

there would be old age security plus $25—$100 a month. For everyone at age 65 who elects to take the actuarially reduced old age security payment—and that is not related in any way to labour force participation—a uniform flat supplement of $75 a month is paid, so far I can understand it. However, I have difficulty when I try to go beyond this because what I think it means is that the whole structure of the benefit under the Canada pension plan is brought essentially to a flat rate structure with very little earnings related portion above the flat rate on a 20 year transition period. Certainly, for a long period there is very little.

I have two or three examples I tried to work out. If you take a man, say, who is self employed and earning $799, according to this proposal he would be credited with $800 on $799 worth of pension credit. I hope the mover of the motion will correct me if I misinterpret the resolution at any point. The man who earns $800 and is self employed would be contributing $2,880 or 3.6 per cent. He will further qualify for the minimum pension benefit of $25 a month, or $25 plus an additional $15 for the wife if the wife happens to be younger than the husband and not eligible for the actuarially reduced old age security benefit.

If you start working this further and put them in for the minimum benefit of $40 a month, which presumably is continued as long as the wife does not fall under the actuarially reduced old age security benefit provision, what happens when the husband crosses his seventieth birthday? Does he draw the minimum plus $100 a month? Is this the proposal? I wonder whether Mr. Aiken would be kind enough to tell me whether that is his proposal?

Mr. AIKEN: Mr. Chairman, in the first place Mr. Francis used the example of one person earning $799 and another earning $800. There always is a division line no matter where it is established. In the present plan it is a somewhat different situation.

Mr. FRANCIS: Will the benefit still be $100 plus the minimum Canada pension plan benefit at age 70 under the proposals before us? Is this correct in respect of the man who had contributed on his earnings record of less than $800 or $600?

Mr. AIKEN: No. His minimum would be $75 plus the additional amount, the $25 if that should be the figure.

Mr. FRANCIS: We have (*b*) and (*c*); (*b*) says that all persons qualifying for any pension benefit under the Canada pension plan shall receive a minimum pension of $25 a month, and (*c*) says there is a minimum pension of $25 a month. Are these two benefits or are they one and the same benefit?

Mr. AIKEN: They are intended to work together. Subclause (*c*) provides a minimum pension for a person who contributes and who is under the plan; (*b*) provides a minimum which may be the same amount of $25 but not necessarily, because we fixed it at not more than $25; that is a person who is not a member of the Canada pension plan.

Mr. FRANCIS: My example—

Mr. AIKEN: And we feel this creates some equity between the people who contribute a small amount to the Canada pension plan who draw a minimum benefit and a person who has been unable for some reason, mostly because of age, to have come into the Canada pension plan.

Mr. FRANCIS: The answer to the question in my example of the man making $799, retiring at age 65, and married with a wife, is that he is going to draw $40 a month from the Canada pension plan on retirement plus an actuarially reduced old age security pension at age 65. At age 70 how much will he draw; is it $125 a month, $140 a month, depending on the age of his wife, or $100 a month plus what his wife receives? I just cannot understand

from the information you have placed before us what the answer is to my question and I have conscientiously tried to understand what the benefits will be.

Mr. PRITTIE: What does it matter? Let us have a vote on it.

Mr. FRANCIS: Maybe it does not matter, but I attempt to understand it before I vote on it, because to me it seems that the recommendation amounts to sort of a large grandstand play—a large amount of money to be paid out and nobody being hurt. This is what I consider to be a regressive tax base for adding an extra $93 million a year.

Mr. AIKEN: This is not a grandstand play at all. However, in going into this and after giving it very careful scrutiny, if you feel there may be a gap between one group and another, this is because we have not attempted to draft the actual wording of the amendments, and that was not the intention of the committee. The intention of the committee is to propose in general what we would like to see the amended plan include. I can say no more than that. You have quoted some examples. I have tried to calculate them. I admit I cannot come to a conclusion. It was the intention that (*a*), (*b*) and (*c*) should together compromise a minimum benefit structure for those persons who had been left out. We attempted to fill the gap. We may have left one end out; I do not know.

Mr. FRANCIS: I do not wish to pick small holes. What I am attempting to understand is the level of the benefits. I think what you are saying is that it is $100 a month for everybody over 70 and it is the actuarially reduced old age security plus $25 after age 65 provided you are retired. It seems to me this is the proposal. I think you also are saying—and I am trying to be fair—that on the basis of a 20 year transition period with much more gradual build up of the Canada pension plan benefit wherever the Canada pension plan benefit rises through the man providing, then you would let the Canada pension plan benefit carry.

Mr. AIKEN: Exactly.

Mr. FRANCIS: I think you could have said that in much more simple terms. This is my view.

Mr. AIKEN: I will let you redraft our motion.

Mr. FRANCIS: I am quite prepared to be helpful, but I prefer being helpful in terms of something I believe to be desirable. If you take the $600, or the first $800, in the case of self employed persons, the full rate is 3.6 per cent and in the case of those on payroll deduction it is 1.8 per cent by the employee and 1.8 per cent by the employer.

I want to go on record by stating that I think this is a progressive form of raising $193 million in a year, and it is not a form of taxation which I can support. And in regard to students, I cannot see the reason for putting in a particular category of contributors. I think the approach to the drop-out period is fair to all categories, but I think if you touch on the students you are creating problems of who are students, what is vocational training, and the determination of a large number of marginal categories. So I would prefer to adopt the approach in the bill with a 20 per cent drop-out period. It may be added to over a substantial period of time, but I think we have a drop-out of six per cent of benefits in the future, and it is not something easily calculated. I would prefer to see the first approach rather than to spelling out categories which I think is not a desirable thing to do, and which would create even greater complications in the regulations. Therefore I am not prepared to support the amendment.

Mr. AIKEN: In answer to the last point we did not feel we were taking a category of persons and giving them a special place. We felt we were taking

all Canadians, everyone, regardless of what his preparation for his life might be, and giving him all the breaks. They may be firemen or engineers, or anything. But if they want to continue their education, they are classed as people. We consider them merely as a group of people who are preparing for the future, and it would be applicable to anyone.

Mr. BASFORD: I have my own views concerning this amendment which I think perhaps I should express in the house rather than to take up the time of the committee.

I think the amendment has to be rejected for obvious reasons. It seems to me to be unfortunate that other Conservative party members of the committee could not have been present this afternoon to support it.

Mr. AIKEN: In view of this last remark—I am sure that it was not intended to be unkind—Senator McCutcheon has been available at many of our meetings, but he is ill today. He expressed his regrets this morning. We regret that he is not here because we think he could have made a better presentation than those of us who are left. I want to mention this one particular point.

Mr. CANTELON: May I make a point concerning section (*c*)?

The CHAIRMAN (*Mr. Cameron*): Yes.

Mr. CANTELON: I was pleased to see that Mr. Francis seems to have interpreted this in the way we did in some respects, and that this referred to married couples and $40, and it did not matter whether the wife was under the age of retirement or not.

Mr. FRANCIS: It would have to be, or else she would have a benefit in her own right.

Mr. CANTELON: That is right. When she reaches the age of retirement she would get $25.

Mr. AIKEN: Yes.

Mr. CANTELON: That is the point I raised before.

The CHAIRMAN (*Mr. Cameron*): Do you wish to reply, Mr. Munro? Or Mr. Prittie?

Mr. PRITTIE: I pass.

Mr. MACALUSO: I have one small question. I wonder if Mr. Aiken and others of his group could tell me whether they have figured out what the cost would be of this enlarged proposal?

Mr. CHATTERTON: One reason we put it at not more than $25 is that we asked for figures, and there was one figure given to the committee, for 1970, of an additional $385 million. That would be additional revenue. That was for the whole package that was more or less in the Ontario proposal; and there was additional revenue required which was estimated to be $120 million, but some of our officials estimated it to be considerably less, I think about $110 million or something like that. The year 1970 was the only year we had any indication of.

Mr. MACALUSO: You would need some $250 million plus?

Mr. CHATTERTON: Yes.

The CHAIRMAN (*Mr. Cameron*): Now, Mr. Gray.

Mr. GRAY: I think most of the points I intended to comment on have been quite well dealt with by other Liberal colleagues on the committee. For the reasons given with which I associate myself, despite the aims of the proposal, I do not think it really solves the problem it is supposed to meet and instead it creates new ones. Therefore, I am not in a position to support it.

Mr. AIKEN: Oh, I am sorry.

The CHAIRMAN (*Mr. Cameron*): Is there any further discussion before I put the question? The question as I understand it is in respect to paragraph 8, inserting after it, or the words below, the motion proposed by Mr. Aiken seconded by Mr. Chatterton with one amendment to it, that is, that the final concluding part of the recital should read as follows:

> Therefore to correct these gross omissions and inequities the committee recommends that Bill No. C-136 be amended to provide that—

You have all heard the motion. Those in favour please indicate.

Mr. BASFORD: Do I take it that the three whereases printed above on that page are not to be part of the motion?

The CHAIRMAN (*Mr. Cameron*): Yes, they are part of the motion. They come in.

Mr. AIKEN: We did not anticipate that clause 7 would be passed over. We had intended to move this amendment under clause 7 which included certain things. But for the purpose of getting it before the committee we left it all together.

The CHAIRMAN (*Mr. Cameron*): You have heard the motion. All those in favour of the motion will please hold up their hands? Those opposed?

Motion negatived.

Mr. AIKEN: We presented a package deal, but since it has been rejected we would like to submit without any further comment or statement, if possible, two of the amendments we made which we feel, regardless of the loss of our amendments, ought to be put before this committee. One refers to students, and I would like to move as a separate motion, seconded by Mr. Cantelon, that, in the same place as we proposed the previous amendment, the following amendment be included in clause 8 with which we are still dealing.

The CHAIRMAN (*Mr. Cameron*): It is in the words of paragraph (*e*) of your original motion?

Mr. CANTELON: We have it written out in exactly the same way.

Mr. AIKEN: We have an amendment, and it may be distributed.

Mr. MUNRO: It is not necessary, if it is the same as what you already have.

Mr. AIKEN: I think it is identical with what we already have.

Mr. MUNRO: In paragraph (*e*)?

Mr. AIKEN: Oh, there is something slightly different. It reads as follows:

> Whereas, it is desirable to encourage students to continue their education without penalizing them under the Canada pension plan,

The committee recommends

> that a student who has attained the age of 18 and is less than 25 years of age shall, at his option, not be required to make contributions in each of those years in which he is registered as a full time student at a recognized educational institution, in which case the years in which such person did not make contributions shall not be included in determining lifetime earnings.

Mr. LLOYD: Are we not ready for the question to be put, Mr. Chairman?

The CHAIRMAN (*Mr. Cameron*): Just as soon as we all receive a copy of the amendment. That is all.

You have all got it now. Members of the committee, you have Mr. Aiken's motion, seconded by Mr. Cantelon before you. All those in favour?

Mr. BASFORD: On a point of order, Mr. Chairman, I was on the verge of objecting to the last motion on the same ground, but Mr. Aiken explained the difficulty. Mr. Aiken is now presenting particulars, and I object to the conclusion of the particulars, the whereas clauses. The whereas clauses are not in any form that is presentable to the committee. I think the motion, to be in proper order, must have the whereas clauses excluded.

The CHAIRMAN (*Mr. Cameron*): That might be a matter of good draftsmanship.

Mr. BASFORD: I think it is far more than good draftsmanship. The whereas clauses contain inferences and arguments. I do not think they should be there.

If the mover of the motion wishes to add a paragraph to the draft report, that is fine, and if the paragraph is to the effect that the committee makes a recommendation with regard to the students, that is fine, but "whereas" is not part of the report.

Mr. AIKEN: I will be happy to withdraw the "whereas", Mr. Chairman—

Hon. Mr. SMITH: That is good.

Mr. AIKEN: —if we may proceed with the vote.

The CHAIRMAN (*Mr. Cameron*): Mr. Aiken is apparently prepared to withdraw the "whereas" to the recital and to limit it to "the committee recommends".

Will all those in favour of the motion please signify? Opposed?

Motion negatived.

Mr. AIKEN: Mr. Chairman, I have one more amendment to propose. It is not one to which we have referred previously but I think it could well be put in here. There is a "whereas" in it but rather than include that I will read it and leave the motion as it is.

I move, seconded by Mr. Rhéaume, that clause 8 be amended so that after the words "following changes in the bill" a clause (*i*) be added and that the other clauses be renumbered accordingly.

The CHAIRMAN (*Mr. Cameron*): Is that an "*i*" or is it a Roman numeral which stands for 1?

Mr. AIKEN: It is a small 1. It is as follows:

> That those persons described in sections 6 (*h*) and (*j*) of the bill as being expected employment, at their option be permitted to declare themselves as self employed persons and therefore to be entitled to make contributions and receive benefits accordingly.

That is the end of the motion.

The CHAIRMAN (*Mr. Cameron*): The motion has been put by Mr. Aiken and seconded by Mr. Rhéaume. The motion is before you.

Mr. FRANCIS: I personally would prefer to see the regulations permissive to bring in categories of employment as soon as it is feasible to do so, but I would like to hear technical advice from the numbers of persons one can bring in at the beginning of a plan and the difficulties of extending coverage to this area right at the beginning.

I would hope that recommendations could be broad enough to extend coverage, but I would not like to create anything that would cause difficulty administratively right from the very beginning of the plan.

Mr. AIKEN: The purpose of the amendment is to carry out the desire that as many people who are residents of Canada as wish to be covered by the plan be permitted to be covered.

There are two groups mentioned in subsections (*h*) and (*j*). In general, they are employees from whom a payroll tax cannot be collected, groups such

as foreign government employees, and so forth. This provision would merely permit those people to declare themselves as self employed, and to belong to the Canada pension plan and pay the full contribution rate. This is the very simple objection of the amendment.

Mr. MUNRO: Mr. Chairman, I wonder if I may direct a question to Dr. Willard or to Mr. Thorson through you.

Are there any administrative objections to those amendments?

Mr. WILLARD: Mr. Chairman, I think one of the things the committee will want to consider is, if you do provide such provision or make such a provision, whether or not the employer, say a foreign government, would take advantage of this and would not then enter into an agreement, so that the net result would be that where you might have arranged an agreement by which the foreign government would pay the employer's contribution, you end up having most of these people paying double contributions.

I have no way of knowing how this might work out, but this is one possibility that you would have to consider.

Mr. AIKEN: Mr. Chairman, we will obviously have to sit this evening unless Mr. Knowles has made his complete speech.

We could amend this by including, after the word "employment" the words "for whom no provision is made" if this would assist the situation. We could let that stand for the time being until Dr. Willard can tell us more.

Mr. MUNRO: I think Mr. Aiken's suggestion to let it stand in order to give time for it to be considered would be appreciated.

Mr. AIKEN: Thank you.

Those are all the amendments we have for the moment.

The CHAIRMAN (*Mr. Cameron*): Would the committee like to adjourn now and come back at eight o'clock?

Mr. CHATTERTON: We could conclude in three quarters of an hour, I think.

Mr. MUNRO: Let us try.

There are these amendments, and Mr. Knowles does not come in until item 9. The rest of the matters in item 8 are pretty well—and I say this without trying to prejudge the matter—the result of agreements reached. I do not think there is any controversy involved.

The CHAIRMAN (*Mr. Cameron*): That may very well be the case, but I think Mr. Knowles should have the opportunity and the time. I do not think we could conclude in a limited time such as three quarters of an hour as has been suggested.

Mr. BASFORD: I move that we deal with paragraph 8 now, subject to the right to come back to Mr. Aiken's amendment.

The CHAIRMAN (*Mr. Cameron*): I would like to enquire of Mr. Knowles whether that would meet with his approval. Would you prefer to come back at eight o'clock and present your amendments?

Mr. KNOWLES: I do not think I make the choice; I think the committee will decide when it wants to listen to me.

I have an amendment to paragraph 9 of the report, which I dare to hope will be accepted in view of the kind of speeches that have been made on the other side this afternoon. If it is not, I have a second amendment to paragraph 9, and I have an amendment to subparagraph 3 of paragraph 7 when we get back to it. So far as I know, those are all the amendments I have.

Do the Conservatives—if I can use that word—propose anything on paragraph 7?

Mr. CHATTERTON: No. We intend to speak very briefly on these amendments of Mr. Knowles.

The CHAIRMAN (*Mr. Cameron*): Then we can proceed. I was only making a suggestion. A motion to adjourn will be in order at any time if anyone begins to feel we are taking too long. The right is reserved for the committee to come back to Mr. Aiken's motion.

Mr. PRITTIE: On a point of order, I think we should really decide this matter. Are we prepared to sit now until eight o'clock and finish, or are we going to consider adjourning now and coming back at eight o'clock? I think it will take two hours to finish.

Mr. BASFORD: Let us see how far we can go by 6.30.

Mr. RHÉAUME: In order to satisfy Mr. Basford, may I say that the council of the Northwest Territories is sitting now and that I am expected there.

The CHAIRMAN (*Mr. Cameron*): We have one amendment on paragraph (i) of subclause (8), which is a provision exempting the armed services and the Royal Canadian Mounted Police from coverage from the Canada pension plan. The amendment is that paragraph (i) of subclause (8), which is a provision exempting the armed services and the Royal Canadian Mounted Police from coverage under the Canada pension plan should, if integration is technically feasible, be deleted.

Is that carried?

Clause 62, subclause (8), paragraphs (i) to (iv) inclusive, agreed to.

Mr. KNOWLES: Mr. Chairman, I am sure we all support paragraph (iv). Perhaps it is not inappropriate for me to repeat a word that I said this morning in the steering committee. Comments are often made about committees and oppositions and so on, and about discussions of bills, to the effect that they are not worth while. This is something that has been discussed a good deal, and I think it is to the credit of the parliamentary process that we are doubling this drop-out period from 10 per cent to 20 per cent.

I think this is one of the best things we have done in this committee.

Mr. LLOYD: I agree.

Some hon. MEMBERS: Agreed.

The CHAIRMAN (*Mr. Cameron*): Clause 5 is next.

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Followed by clause 6.

Some hon. MEMBERS: Carried.

Mr. KNOWLES: And, clause 6 is one I am glad we are recommending. It is an act of kindness to many people.

Mr. MUNRO: And, it is good Liberal philosophy that is providing this.

Mr. KNOWLES: The Liberals and Conservatives have refused it time and time again.

Mr. MUNRO: I just wanted to see if you would rise to the bait.

The CHAIRMAN (*Mr. Cameron*): Paragraph 8 in its entirety is carried.

Mr. AIKEN: We still have an amendment to dispose of, Mr. Chairman.

Mr. BASFORD: Mr. Chairman, my impression was that we proceeded with clause 8 subject to the right to come back to the amendment of Mr. Aiken.

Mr. AIKEN: Well, if we go back it will have to be in respect of clause 7.

The CHAIRMAN (*Mr. Cameron*): Yes, we passed all the others. We now come to clause 7. We have read the preamble to clause 7. What about subclause (i)?

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Subclause (ii)?

Some hon. MEMBERS: Carried.

Mr. AIKEN: Mr. Chairman, we had proposed in the first instance to move to eliminate clause 7 completely and substitute the preamble we ourselves prepared. In the circumstances we do not agree that all the worthy objectives in here have been carried in the bill. We would like to have this carried on division.

The CHAIRMAN (*Mr. Cameron*): Subclauses (i), (ii) and (iii) carried on division.

Mr. KNOWLES: Not subclause (iii).

The CHAIRMAN (*Mr. Cameron*): Then we will deal with subclause (iii).

Mr. KNOWLES: Mr. Chairman, I would like to move an amendment to subclause (iii), seconded by Mr. Prittie. Members of the steering committee and, for that matter, members of the entire committee, will probably recognize that I am asking the committee to put back language that was in an earlier draft of this report. I have copies available for everyone here. As I say, I move, seconded by Mr. Prittie, that subclause (iii) of clause 7 be deleted and that the following be substituted therefor:

> (iii) The level of combined benefits available under the Canada pension plan and the Old Age Security Act should be adequate for those people for whom such benefits will be the only source of income after retirement.

As I say, this was the wording that was before us at an earlier stage but it got changed somewhere along the line.

The draft report that we now have before us reads:

> The level of combined benefits available under the Canada pension plan and old age security should represent a high proportion of the previous earnings of those people whose income does not permit other adequate provision for their retirement.

I do not want to bring the changes in respect of the discussions we had, and we had many sessions with the committee. But, I think there is a tremendous difference between aiming at a high proportion of previous earnings and aiming at benefits that are adequate. Now, I know we could have discussions about the meaning of high proportion and the meaning of adequate, but high proportion to previous earnings, particularly in the case of those whose earnings were low, means nothing. I think we would be better to stick, as an objective, with the earlier wording. I realize that neither in the wording that is in the draft report nor in my amendment are we enacting anything; we are stating a principle. But, if we are stating principles we should state adequate principles. As I say, Mr. Chairman, at this point I offer this amendment, seconded by Mr. Prittie.

Mr. MUNRO: Mr. Chairman, if I might comment at this time, I think Mr. Knowles is quite aware of why the wording was changed. If I might be permitted, without going into the details of what happened in the steering committee I would state that there has been considerable argument as to what was adequate, and what one member of the committee may have thought was adequate certainly was not adequate in the minds of others. It was a very subjective word. I suspect the reason that Mr. Knowles is requesting the word "adequate" here is this. He has indicated that he would be putting his motion in respect of increases in old age security this afternoon, and he will then contend that the members of the committee by voting for his proposal that the word "adequate" be inserted are in effect showing that we think the present level of old age security, without an increase, is adequate. I do not know whether or not he is endeavouring to tie this in with his later motion. Interpretations like those which might be put on the word could

be advanced for partisan purposes later. I think the present wording is preferable because in this way we steer away from this whole question of what some consider adequate and others consider inadequate. I am sure many of us have the same idea in respect of what adequate is. Certainly many witnesses have expressed that already the old age security is higher than that in the United States and is high enough, but many of us in this committee disagree with those witnesses who made that statement.

Mr. KNOWLES: But certainly in the steering committee the argument did not turn only on the definition of the word "adequate" but rather that there was this difference; at least one member did not agree that our plan should provide adequate benefit. At least one member thought it should be just a kind of floor. Some of the rest of us thought in principle that the combination of old age security and the Canada pension plan should provide adequacy, not just a certain proportion of former earnings but adequacy. In other words, I am asking if Mr. Munro thinks it is fair to say that all the argument was in respect of the definition of the word "adequate".

Mr. MUNRO: So far as I am concerned, Mr. Chairman, with the reservation I have expressed in respect of what use this word may be put later I do not think we take any particular exception to Mr. Knowles amendment, but I would like to hear what the rest of the members have to say.

Mr. BASFORD: I am happy Mr. Knowles made this amendment. I think we were agreed this morning, and I certainly will support the amendment.

Mr. FRANCIS: Mr. Chairman, I do not propose to support the amendment because I do not think anyone can say what is adequate. All the witnesses who came before the committee were asked the question: "Is $75 a month adequate?", and the answer was no. Then, the question was put: "Is $104 a month adequate?" In every case, to my knowledge, when the question of what was adequate was put to the witnesses who came we got evasive answers. No witness was prepared to say what an adequate benefit was, and it seems to me that if we buy anything that is as open as that we will be in difficulty. Naturally we say that we are going to have adequate benefits but we do not say we are going to provide a test for it or that we will have regulations covering it, nor do we contemplate machinery for determining figures in different parts of the country. In this way we would be opening up a line of criticism of the whole bill itself which I, personally, do not think we should support at this stage.

Mr. CHATTERTON: If I might just say a word, both "high proportion" and "adequate" are subject to interpretation. I think the crux of Mr. Knowles proposal is whether the base should be adequacy in respect of earnings or just adequate, and of the two I am inclined to favour Mr. Knowles in spite of what happened in the steering committee.

Mr. MUNRO: That is an interesting proposal. I am glad to see these things happening because Conservatives have expressed the thought that everything here was going to be rammed through, and as we know and this was one of the compromises we implemented in order to show that we are willing to listen to their point of view and now I am glad to see that they came back to Mr. Knowles' point of view which they objected to originally.

Mr. AIKEN: This points up our real objection to the whole of clause 7. It does not change one word of the bill or the section; it is just an exercise in semantics, and it really does not matter.

Mr. BASFORD: It is far more than that. If this parliamentary committee, representing all parties, can agree on the principle that pensions for those to whom pensions are their only source of income should be adequate I would regard that as a great step forward.

Mr. AIKEN: But how does it change the bill; we already have passed the bill.

Mr. GRAY: It is an expression of opinion.

An hon. MEMBER: Question.

Mr. BASFORD: If this carries I will be happy to see that this whole group will be adopting the Liberal philosophy.

The CHAIRMAN (*Mr. Cameron*): I have a motion by Mr. Knowles, seconded by Mr. Prittie, that subclause (iii) of paragraph 7 be deleted and the following be substituted therefor:

(iii) The level of combined benefits available under the Canada pension plan and the Old Age Security Act should be adequate for those people for whom such benefits will be the only source of income after retirement.

All those in favour of the motion?

Mr. CHATTERTON: All philosophy and no action.

The CHAIRMAN (*Mr. Cameron*): All those opposed?

Mr. CHATTERTON: We tried anyway.

Motion agreed to.

The CHAIRMAN (*Mr. Cameron*): The motion carries.

We now proceed with paragraph 5.

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Paragraph 6.

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Paragraph 7.

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Paragraph 8.

Some hon. MEMBERS: Carried.

Mr. PRITTIE: Mr. Chairman, I wanted to put a question but I do not know under which paragraph to put it, so I will do it now. I believe the staff people were going to study, in respect of the brief submitted by the fishermen union the other day the question whether those people would be classed as employees or self-employed, and before we finish these proceedings I would like to know if they have done so, and what comments they have to make. I do not know under which section this is relevant.

Mr. KNOWLES: Perhaps it is appropriate to paragraph 7, in which we advocate certain principles.

The CHAIRMAN (*Mr. Cameron*): I do not know what we can do to help you, Mr. Prittie. If we adjourn, we might have the information, but the departmental official who could probably give the best answer to that is not here at the moment.

Mr. AIKEN: It might be answered at the conclusion of the proceedings.

Mr. PRITTIE: Let us reserve the right to bring it up before the end of the proceedings then.

The CHAIRMAN (*Mr. Cameron*): How do you propose to deal with it? Do you want to wait until we get the answer?

Mr. PRITTIE: Yes, and reserve the right to bring it up later.

The CHAIRMAN (*Mr. Cameron*): We might not have any time later if we carry on. Where do we end?

Mr. KNOWLES: Mr. Chairman, I suppose that unanswered questions regarding the bill, such as the one Mr. Prittie has, might be asked under paragraph 10 of the report.

The CHAIRMAN (*Mr. Cameron*): Paragraph 7 agreed to.

Paragraph 8 has been agreed to. We are now on paragraph 9.

Mr. KNOWLES: Mr. Chairman, I gather from the sounds I hear from across the room that everybody is anxious to get to paragraph 9. It reads as follows:

> The committee also recommends that the government give consideration to further measures regarding the position of those people who, because they are or soon will be retired, will not be substantial contributors to, or beneficiaries from, the Canada pension plan.

I suppose that one has to be grateful for this admission; that there are some gaps in the total pension plan that we are building by combining the Canada pension plan with old age security and other measures. However, I must say that I regard this proposal as a very weak response to the representations that have been made to us regarding those gaps. We are all members of parliament and in public life, so that we do not really need to have representations made to us to let us know about the facts of Canadian life. Nevertheless, it is a matter of record that almost every delegation that appeared before this committee drew our attention to the gaps. There were quite a number of them. However, the gaps that were referred to most were the following two: Those Canadians 70 years of age and over who have only the old age security pension, and those Canadians between 65 and 70 whose chances of much appreciation of their pension position under the Canada pension plan are very slim.

I think it is fair to say that the discussions we had with these various delegations indicated concern on the part of the members of this committee that we should do something. This very paragraph that is in the report, minimal though it is, is an admission of their concern. I would contend that the government, in presenting the Canada pension plan in its various forms, has recognized that something had to be done at the same time for those who are on old age security. In that connection I may point out that when the first version of the Canada pension plan was presented to parliament, the old age security rate at that time was $65 a month, and the government realized that if it was going to go in for this new Canada pension plan, it had to do something at the same time for those on old age security. And so it was part of the package in 1963 that there should be a $10 addition to the $65 that was then the rate under the old age security.

I think that the Liberal members will realize that they cannot go on forever trying to trade on the fact that that $10 increase was made independently of the Canada pension plan. The fact is that we now have a situation under which in 1967 people will start to draw another kind of old age benefit, a benefit they will draw under the Canada pension plan. In 1967 the amount that people will draw will be small. The maximum in that first year will be in the order of $10.40 a month. However, at any rate, this will build up and we will reach the situation in which we will have some of our older Canadians still living only on the old age security pension and some on that plus the Canada pension plan benefit that in the course of time can become substantial. I think the only answer to this problem of avoiding inequities in the transitional period, the only answer to the problem of people between 65 and 69, is to take action at the same time that we put the Canada pension plan into effect to increase the amount of pension under the old age security act and to lower the eligible age.

It has long been a fact of Canadian life that that gap between 65 and 70 has seemed most unfair, and I suggest that as time goes on, as automation plays its part in our life, retirement ages of 60 and 65 are going to be the rule rather than retirement ages of 65 and 70 and over as has been the case in years gone by. I think the time for us to recognize this whole proposition, the time for us to deal with it as a unit, is now while we are trying to put our pension provisions on a unified basis. I have no doubt that members can find remarks of mine and speeches when the whole Canada pension plan concept was being put out in which I suggested that it was not fair for the government to talk about total figures that included the two things, that it had to talk about them separately. I have become convinced, the more I studied the thing, that the virtue of what we are doing is the fact that it is a two stage plan; that we have both the flat rate benefit and the earnings related benefit. However, I think that that virtue is minimized, if not destroyed, if we leave the kind of gap that we leave by letting old age security stay at $75 a month. There has been a good deal of support for what I have been saying this afternoon. I am not going to trade on the fact that you accepted my amendment to subparagraph (3) of paragraph 7.

Mr. FRANCIS: Not at the moment.

Mr. KNOWLES: No, not at the moment, but I will draw attention to things that members on the Liberal side of this room said before we ever got to paragraph 7, subparagraph (3). I refer to speeches they made when we were dealing with Mr. Aiken's amendment. Mr. Lloyd, Mr. Francis and Mr. Munro have all said this. They approved of the position I took, namely that if we were going to do something for the people in these areas on a flat rate basis, we should do it under the Old Age Security Act, under general taxation, not under the Canada pension plan.

Mr. MUNRO: I wish Mr. Knowles would speak for himself and let us speak for ourselves. I am prepared to defend my remarks in relation to what Mr. Knowles has said.

Mr. LLOYD: So far I have no objection to what he has said.

Mr. KNOWLES: Not only am I prepared to let the Liberal members speak for themselves, I was trying to remind them of what they said. I approve of what they said. We are agreed that you must not mix the flat rate and the earnings related so far as the financing of these two plans are concerned. We are also agreed, and it has come out around this table throughout the past few weeks, that we have got to do something for these people in the older groups. I say that—it is not a political comment—and I say it quite frankly, that you just will not be able to sell this country the idea of doing what we are doing under the Canada pension plan and not, at the same time, do something for those on old age security. It is not going to be good enough to have to face a lot of pressure, political and otherwise, about this, or have another election over it. It is not going to be good enough for the government to respond to it on the floor of the house because pressures build up the way they built up in 1963, so that we had to add another $10 in the fall of that year. The time to do this on a well rounded logical basis, is now. As I say, the bill has provision for it, and the provision for it that is in the bill affords recognition of the fact that these two things stand together.

Therefore, Mr. Chairman, though it is pretty obvious that for one who has been making speeches on this subject for a quarter of a century, I can go on, although I do not mean go on for another quarter of a century tonight.

Mr. MACALUSO: I bet you can!

Mr. KNOWLES: Don't tempt me. I will, therefore, bring this to a conclusion by proposing an amendment that I think should be made to this paragraph.

I therefore move, seconded by Mr. Prittie, that paragraph 9 be deleted and the following be substituted therefor:

> 9. The committee also recommends that consideration be given to the amending of part IV of Bill No. C-136 to provide for an increase in the pension paid under the Old Age Security Act to $100 a month and for the lowering of the eligible age for the full pension under the Old Age Security Act to age 65.

I would like to make one or two other comments. I wish to make it clear that a main distinction between this proposal and the proposal made by Mr. Aiken earlier is where it is to be charged. This is not to be charged to the Canada pension plan but rather to the old age security fund and would be raised by such devices as lifting the ceiling on the old age security or raising it on a graduated income tax basis.

The other point is that this proposal would wipe out the suggestion in the bill that we can have an actuarially reduced pension between ages 65 and 69. I want to see something done in this area and I would like to see it done on a no means test basis, but I am convinced this idea of having Canadians on old age security at a lesser rate who shall have to continue for the rest of their lives on that rate is not one that will stand up in our Canadian society or in our Canadian economy.

I have no doubt I will hear such questions as how is this going to be paid for. I can say I have been hearing this ever since I came to parliament, but we are doing far more now than I was told 20 years ago we could not do. I know we will be told about better ways, but I am convinced that with our growing economy we can meet all these needs. What we are concerned about in this committee is the problem of adequate retirement income, and I think this is the way to go at it.

Some of my friends may think my figures are high; I do not. I trust they will at least recognize that the principle that is proposed in this amendment is right and that if we are going to do this thing, this is the way to do it.

I hope we will give a wholehearted and proper response to the representations which have been made before us and see fit to adopt this amendment so that this paragraph 9 goes in the report instead of the one there which hardly fills the bill.

Mr. CHATTERTON: Is it the suggestion that there is no retirement test before age 65?

Mr. KNOWLES: That is right. One of the things I dislike about retirement tests in the 65-69 bracket is that we get into difficulty with provinces which have their own plan. I think a universal flat rate benefit is the proper one.

Mr. MUNRO: Mr. Chairman, I do not think we agree at all with Mr. Knowles when he says clause 9 is weak. The other members of the committee also have some proper feelings for these people who presently are on old age security, and that is the motivation behind our recommendation that the government give consideration to this whole area. We, too, are concerned in respect of this matter.

What we are saying here in effect is that we wish the government with all the facilities at its disposal to consider the matter in order to come up with a recommendation. Therefore, on the basis of that it is very difficult for us to accept any inference that we are not going to take action until subject to pressure or that we do not care. It is simply a question on the part of members of the committee and certainly the Liberal members of saying that we do desire that the government do something in this area. That is the position we take when we turn down a specific sum—I have your amendment here—of $100; it is not because we consider it too little or too much; it is because

we wish the government to have an opportunity to consider the matter. We are urging upon the government to come forward with a recommendation after they have had time to give it full study in the area of a flat rate benefit outside the provisions of the Canada pension plan.

Mr. LLOYD: Mr. Chairman, the principle of financing flat rate old age benefits and the payroll deduction contribution for financing a wage related earnings pension scheme, as Mr. Knowles has described it, is something with which I have no criticism. The difficulty I have is on the question of timing and taking responsible financial action. At this stage of our proceedings I do not think we should get pension plans on the auction block. I am afraid if we do this we are likely to be putting ourselves into an irresponsible position. Earlier we heard about the question of what is adequate. I think there is general agreement that you have a variety of opinions in respect of what is adequate.

Paragraph 9 of the report expresses the opinion of the committee that we recommend that the government give consideration to further measures regarding the position of those people who, because they are or soon will be retired, will not be substantial contributors to, or beneficiaries from, the Canada pension plan. If we adopt this, in effect we are saying by adopting the Canada pension plan you now have a responsibility to examine this monthly payment of $75 a month to those at age 70 and to examine the reduced pension at age 65 as has been proposed for the time the Canada pension plan becomes effective in 1966 and the first payments and benefits are made in 1967, and you should examine the implementation of the Canada pension plan in the meantime and should commit yourselves to making a report to the house on your policy in the light of these developments. However, in essence we give them time to do the appropriate financial analysis, to study the economic and social implications of what is proposed and the resources there are with which to meet these obligations. It may even be desired to amend the Canada pension plan by that time. I think you really have from now until this contrast of positions becomes apparent on January 1, 1966 or January 1967. We say to the government, you have a responsibility, but we do not stipulate what the amount should be because we would be irresponsible if we said it should be $25, $30, $40 or $20. For that reason I think clause 9 as it stands reflects responsibility on the part of the committee, both in relation to those in need as well as to those who will be called upon to find the funds to finance what we are seeking by way of improved social measures.

Mr. BASFORD: Mr. Chairman, I know Mr. Knowles has confidence in his own ability to recommend figures, but this committee never in the course of its proceedings has examined the question of adequacy. We have had evidence before us that pensions should be adequate and, in paragraph 7 we have adopted the principle that pensions should be adequate. However, we have not had before our committee any evidence on the question of what should be adequate. Even organizations for which I have a great deal of respect, such as the Canadian welfare council and the Canadian Association of Social Workers did not come before this committee recommending figures.

Before I support a resolution recommending precise figures I would like organizations of that nature to have an opportunity to make representations either to the government or to some subsequent committee appointed to examine adequacy so that we could have some expert evidence on that subject. I do not think this committee has had that sort of evidence. Since the social workers and the welfare council did not give us figures, I would like, as a member of the committee, to hear from this sort of an organization or allow the government to hear from this sort of an organization before a specific recommendation is made.

Mr. FRANCIS: Mr. Chairman, I would like to ask Mr. Knowles whether he considers his proposal to be adequate; would that meet the requirement of adequacy?

Mr. KNOWLES: At the present time I think that the combination possible would be pretty close to adequacy. This will change as time goes on.

Mr. FRANCIS: In other words, Mr. Knowles is serving notice that it is adequate for the moment. Is this what you would say?

Mr. KNOWLES: May I ask the gentlemen over there if they are prepared to have things remain static?

Mr. FRANCIS: I personally voted against the adequacy for exactly the same reason because I feel it is the kind of thing that we are in now. If Mr. Knowles feels that his recommendation would meet the test of adequacy, I shall pass over the amount, and how he arrives at it and accept his opinion. But I would like to make one other observation.

We have previous recommendations from our Conservative friends—if they do not mind my using that expression, because this was my concern. When we had their recommendation at least they were purporting to spend money out of the fund, and they were not implying the need for new tax measures as a result of what they proposed. I do not think they were. They said that the funds would be adequate for the benefits they proposed. But I cannot help but note the implication of Mr. Knowles' proposal and what it would mean, namely, that a new tax would have to be imposed, and that the existing old age security level would not be adequate. I think Mr. Knowles would be the first to concede this. And I question on these grounds whether his motion is within the scope and authority of the committee. I do not like to raise technical arguments, but I do believe in my own mind that it is beyond the power and authority of the committee.

Mr. KNOWLES: We have dealt with that point before. So far as whether or not I am recognized, Mr. Francis may recall that I do suggest a kind of taxation and that I prefer it rather than to charge it to the Canada pension plan. I said that the $3,000 limit on personal income and the old age security tax should be removed, and that it should be enough. But on Mr. Francis' point of order, that this motion is beyond our power, I say that so long as we are merely asking for consideration to be given to a point, then it does not matter whether that point costs $1 or $1 million. I submit that the things we have asked for in paragraph 8 are going to cost money, but we have merely asked that consideration be given to making this change, and I think we are certainly in order in doing so. I have drawn attention to the fact that there is a part IV and that perhaps consideration should be given within part IV of the act.

Mr. CASHIN: I would like to endorse Mr. Basford's remarks, adding that as to this field of adequacy and social security I am not concerned about our approach to social security in a piecemeal fashion such as hitherto. I think that paragraph No. 9 gives us an opportunity to study this, and to have the indication that in such legislation as the Canada pension plan the present government is a little more prone than previous governments have been to take a look at social security.

Mr. AIKEN: Are you trying to wind this up in a hurry?

Mr. CASHIN: I do not think I can support a particular figure at this time.

The CHAIRMAN (*Mr. Cameron*): Is there any further discussion? The question is that paragraph 9 of the draft report be deleted and the following substituted therefor. You have heard the motion? What is your pleasure? All in favour will please signify. Those opposed. Motion negatived.

Mr. KNOWLES: I think this is my last amendment this afternoon, and it will not be necessary for me to make a speech about it. People who have spoken

in regard to the amendment which was just defeated said that they did not like to name a figure. But they agreed in principle that something should be done. So I now give them a chance to vote for the principle which they agree with. They said that they agreed that a flat rate increase should be paid out of the old age security program and not out of the Canada pension plan. They want to make a recommendation to the government that the government consider the matter.

Mr. Munro says they have, but I submit that paragraph 9 as it stands in the report does not make it very strong, because it is the kind of thing that you may put in a report, and nothing gets down about it, and it will stay there for years. I suggest that this committee should ask the government to do something about this problem in the context of part IV of this bill. Part IV is an indication of the government's belief that something has to be done about old age security, and if we do not make any changes we are going to fasten this actuarially reduced formula on to our system for a few years, because I do not think it will last. At any rate, let me emphasize that the people on the other side of the house agree with the principle of an increase. Therefore I move, seconded by Mr. Prittie, that paragraph 9 be deleted and the following substituted:

> 9. The committee also recommends that consideration be given to the amending part IV of Bill No. C-136 to provide for an increase in the amount of the pension paid under the Old Age Security Act and for the progressive lowering of the eligible age for a full pension under the Old Age Security Act to age 65.

The difference here is obviously that I do not name $100 or any other figure. I just state that we have at this time an increase in the old age security pension, just as the government proposed to increase it in the first year of the plan in 1963. If we are not prepared to recommend an amount, we do recommend lowering the eligible age to 65. I suggest that we at least recommend that consideration be given to lowering the present progressive basis; that is, year by year, until we get it down to the age of 65, and that this is one of the most important things we can do to get it universal at a lower age. While I would like to see the age of 65 right away, I am hoping to make a start until we get it down. At any rate, there have been many speeches already made in support of this principle and I hope this amendment will fare a little better than the last one.

Mr. MUNRO: Paragraph 9 states that the government should give consideration to further measures regarding the position of those people who form part of the presently retired and the soon to be retired.

Mr. KNOWLES: May I point out that this could be met by a kind of thing which would merely be temporary. This could be met by some provision for those who are now retired or for those who are not going to get early benefits under the Canada pension plan. That is quite different from a clear-cut definite increase in the amount of pension under the Old Age Security Act. You can disagree with it if you wish, but I think you would have to agree that there is a difference between this and what is asked for in your paragraph 9.

Mr. MUNRO: I suppose it all depends on how you interpret further measures.

Mr. LLOYD: I would like to say that this committee feels, despite what the witnesses have said before us—many of whom did appear to be objective, but their opinions, I suggest, were suspect, because they were in many cases at least speaking to the position particularly of life insurance companies which occupy the conventional field—that there are many possibilities to improve upon our social security program in Canada across all schemes.

There are responsibilities of the provinces in the field of social welfare, and there are responsibilities of the municipalities. There is a tax structure

which it was proposed should be studied by the royal commission on taxation which was set up by the government, and that we should have a report from them before we could do anything. It seems to me that we should leave the door open wide in order to try to find other solutions beyond those suggested to us in the long run. I think we could begin this within the framework that we have before us and merely point out to the government that they should consider other measures.

To be specific about measures presumes a knowledge of all the alternatives which I for one do not possess. I suggest at this time that none of us appears to have the kind of measure which might be acceptable to us. But after we have had a report on the tax structure, and after we have had a royal commission report on taxation, I think at that time in the light of those things, which would still be before January, 1966, we can find an improvement to the social welfare program that we have in Canada in the light of a great deal more information then than we have at the present time and in a much more reasonable way.

Mr. MACALUSO: I adopt Mr. Lloyd's remarks.

Hon. Mr. SMITH (*Kamloops*): I would like to ask Mr. Knowles if a while ago he did not approve of the last increase of $10 in the old age security and referred to it as part and parcel of the two way approach to the new Canada pension plan scheme?

Mr. KNOWLES: Not only did I approve of the last $10 increase, but I raised a storm to try to get it.

Hon. Mr. SMITH (*Kamloops*): I take it that Mr. Knowles related it to this present Canada pension plan as a two way scheme.

Mr. KNOWLES: I thought I explained that a moment ago. Let us face the facts of life. If the Canada pension plan had gone through in 1963, so that the benefits under the Canada pension plan were starting at the same time as the $10 increase was starting, it might have been acceptable. But that has gone. The people have the right to say "what have you done for us lately?" The $10 increase of two years ago will not be any help to the Canadian people in 1966 or 1967. Mind you, it is 1967 when the first benefits will be received under the Canada pension plan. It is in that year that those on old age security will complain, and I think rightly complain, that nothing has been done for them at the same time.

Mr. CHATTERTON: We believe, in accordance with our proposal, that the objectives Mr. Knowles has in mind could be better achieved by our proposals, but I go along with the objectives he has raised in his amendment.

Mr. BASFORD: I raise the matter I raised before with regard to the other amendment, which I think applies equally well to this. This committee has not had before it the sort of evidence which would enable it to accept this sort of motion. Mr. Knowles says the eligibility for full pension under old age security should be reduced to 65.

Mr. PRITTIE: Look in your files.

Mr. BASFORD: I think we might well find that in our community there are greater welfare needs than that.

I think Mr. Knowles, in putting forward this sort of amendment, only supports something I would like to see, namely the recommendation to the welfare council that there should be a thorough study of our welfare needs.

My own personal view is that standing in higher priority than reducing the age generally to 65 is the plight of single and widowed women at the age of 60. I think it is far more important to direct our attention to that specific problem than to the general reduction to 65, for example. This is only something that can be properly brought out after a careful study of our whole welfare program.

Mr. KNOWLES: Paul Martin said things like that to me 20 years ago!

Mr. CASHIN: There has been a lot of progress in the last 20 years for which you have taken credit.

Mr. BASFORD: I do not want to support this specific recommendation.

The evidence will reveal that the chairman of the welfare council said that recommendations have always received very careful attention by governments over the past 20 years.

The CHAIRMAN (*Mr. Cameron*): The motion by Mr. Knowles, seconded by Mr. Prittie, is that clause 9 be deleted and the following substituted—

Mr. CHATTERTON: Let us dispense with the reading.

The CHAIRMAN (*Mr. Cameron*): You have heard the motion. What is your pleasure? Will all those in favour please indicate. Opposed?

Motion negatived.

Mr. KNOWLES: We have gained a few votes; we will get there yet!

Mr. AIKEN: I have a motion before the committee and I think, without any comment, we might vote on it.

Mr. MUNRO: May I make one comment on Mr. Aiken's amendment? I presume Mr. Aiken is referring to his recommendation with regard to persons described in clause 6(*h*) and 6 (*j*) of the bill.

The CHAIRMAN (*Mr. Cameron*): That is right.

Mr. MUNRO: The essence of that recommendation of Mr. Aiken does accomplish on the surface certainly a laudable purpose, no doubt, but the objectionable phraseology is comprised of the words "at their option be permitted to declare themselves as self employed . . ."

It is felt that by endorsing in any way an option for employees, be they of foreign governments or not, by giving them the right to declare themselves self-employed, in effect lays the basis for other employer-employee relationships where the employer can point to almost insurmountable administrative difficulties, or use that as an argument to request amendments to the act which would permit his employees also to have an option to declare themselves self employed. This is an element that should be very jealously watched. For that reason, and for that principal reason, we find it difficult to accept this recommendation.

We might also point out that, as Dr. Willard has stated, this might provide incentive to some foreign governments not to enter into an agreement with the Canadian government in order to provide the coverage under the Canada pension plan or other coverage for employees, but rather to encourage the employees to declare themselves as self employed and pay the whole contribution rate themselves.

For those two reasons we feel this is hard to accept.

Mr. PRITTIE: What would be the case if the foreign government would not agree to cover them? Then they would be out completely.

Mr. MUNRO: I think there was evidence given at one time to the effect that it was not expected that any difficulty would be encountered in having these agreements entered into.

I think that is a good question, Mr. Prittie, for Dr. Willard.

Dr. Willard, in the consideration of these employees of foreign governments, what were the indications, if any, as to the degree of difficulty in having them provided for under agreements?

Mr. WILLARD: Mr. Chairman, it is difficult to know because one cannot poll these different governments and organizations. However, international organizations such as ILO and some of the others which are in Canada and have employees here, would I believe participate. Foreign governments in some cases have a proportion of their staff who are Canadian, and I would not think the cost would be too onerous.

I would hate to see, for instance, the stenographers and drivers, and so forth, of some of these governments and international agencies having to pay double rates if we could get an agreement. On the other hand, there is the other side of the matter. If the foreign government refuses to enter into an agreement, these employees do not get covered. Therefore, there are difficulties either way. I think you can probably make as good a decision as anybody as to which way would be preferable.

Mr. PRITTIE: It seems to me that the two biggest groups would be in ICAO and ILO in Montreal.

Mr. WILLARD: Yes, the aviation organization would be in Montreal, but the ILO branch is here in Ottawa. ILO have only a few people employed at that office.

Mr. KNOWLES: That is the case in regard to subclause (*j*), but in the case of (*h*) it could be private employers.

I hope I do not sound prejudiced if I say that I would be more worried about the private employers than about the crown agencies.

Mr. GRAY: This is something that can be observed in the first year of operation of the plan; and if the experience shows it to be necessary, this is the sort of technical amendment we can expect any government to bring forward without any undue delay.

Mr. CHATTERTON: Mr. Chairman, I do not think we need debate this. I think we are ready for the question.

The CHAIRMAN (*Mr. Cameron*): This should actually come under paragraph 8. I was going to suggest Mr. Aiken's motion, if he agrees, will be that the committee recommends that paragraph 8 be amended by adding thereto a subparagraph (vii), which will read as follows:

> That those persons described in sections 6 (*h*) and (*j*) of the bill as being excepted employment, at their option be permitted to declare themselves as self employed persons and therefore to be entitled to make contributions and receive benefits accordingly.

Will you accept that as correct, Mr. Aiken?

Mr. AIKEN: Yes.

The CHAIRMAN (*Mr. Cameron*): Is there any further discussion?

Several hon. MEMBERS: Question.

The CHAIRMAN (*Mr. Cameron*): Will all those in favour of the motion please indicate. Opposed?

Motion negatived.

Before we go any further, Mr. Prittie you have a problem about which we have to do something.

Mr. PRITTIE: It seems to me to be the reverse. I want those who are self-employed to declare themselves employed, I suppose. Is there an answer from the staff?

Mr. SHEPPARD: Mr. Chairman, when we originally dealt with this matter I mentioned, that fishermen are covered one way or the other under the Canada pension plan either as self-employed persons or as employees.

Under the plan, insofar as the employee is concerned, the contributions are divided between the employee and the employer and both amounts are collected through the employer. While collection through the employer is the best method, nevertheless difficulties and anomalies will arise and a great deal of study was required to formulate plans to overcome the problems. The extension of the employee's status to other groups would create other problems.

As I read the brief of the United Fishermen and Allied Workers' Union, it appeared to me that they had given a very complete outline of the classification of fishermen in British Columbia as employees or independent operators as a matter of law as well as of the manner in which they are covered for benefits under the Workman's Compensation Act of the province of British Columbia and under the Unemployment Insurance Act.

They recommend that all commercial fishermen be included in the definition of pensionable employment either by regulation or by specific provisions in the Canada Pension Plan and that the fish buyer be regarded as their employer. One of the purposes of this is to relieve the fishermen of having to pay the full self-employed contribution.

I could not at this time say what action could be taken as this is a matter that could only be decided by the government after a complete study has been made of all the problems and in the light of the facts. However, I can indicate that I can see many difficulties in trying to arrive at the income of a fisherman from his fish sales since expenses have to be taken into consideration; also I notice that under the Unemployment Insurance Regulations a number of exceptions had to be made. For instance, if the fish is shipped to an absentee person, the income received by the fisherman is not included; whereas, if he is dealing with a buyer face to face, the latter is regarded as the employer; also if the fisherman ships his fish products out of the country, the purchaser is not regarded as an employer.

Mr. Chairman, I could not give any indication as to what would be the proper course to follow in regard to this recommendation since it would require a great deal of study.

Mr. PRITTIE: I would be satisfied if the study continued because the matter still could be dealt with in the committee of the whole in the house. It does not have to come out of this report. I realize it is quite a complex thing.

Mr. BASFORD; Mr. Chairman, it seems to me that the brief does make it clear in the third paragraph, page 10, that in the opinion of the fishermen or of the union the bill as presently worded is such as to allow the governor in council to include fishermen as employees and that the bill is sufficiently broad to make the fishermen employees, by which they pay only the one half of the contribution by regulation.

My advice to the fishermen, and I am writing to them in this respect, is that their representations should be made really to the government officials who are going to have to draw the regulations, and to the appropriate ministers in the government or in the council to assure that the special situation of west coast fishermen is taken into account when drawing the regulations. I certainly have offered to them my assistance in making those representations, and I am sure they will have assistance, as they always do, from Mr. Prittie and Mr. Chatterton. But, it seems to me, as the brief makes clear, they can be made employees by regulation. And, it would appear to me that it is to the ministry and to the officials that these representations should be directed because members of the committee from the west coast know that the west coast fishermen are in a very unique position. In many respects they are simply like employees. While legally they might appear to be self-employed people, they are certainly not masters of their own destiny in many respects of their operation. I know the conception in central Canada is that everyone on the west coast who goes fishing makes $20,000

a season and pays for his boat all at the same time. This is not a fact. That sort of fisherman, unfortunately, is a very rare exception. Most of them are living on incomes equivalent to wage earning incomes, if not very much less than wage earning incomes. As I say, I am sure that the United Allied Fishermen, in making their representation to the cabinet, certainly will have my assistance and the assistance of Mr. Prittie and Mr. Chatterton.

The CHAIRMAN (*Mr. Cameron*): Paragraph 10 is next.

Some hon. MEMBERS: Agreed.

The CHAIRMAN (*Mr. Cameron*): Paragraph 11, appendix A.

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Appendix B.

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Appendix B (1).

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Appendix C.

Some hon. MEMBERS: Carried.

Mr. MUNRO: Mr. Chairman, in respect of appendix C an omission was made and if I may have the permission of the committee I would like to insert the headings of the departments over the names of the various officials. For instance, Dr. Willard and his officials come under the Department of National Health and Welfare. I think that heading should be put in as well as the other headings before the names. Could we have permission to insert the departments as subheadings over the officials' names. There are not alterations in the names involved.

Some hon. MEMBERS: Agreed.

Mr. BASFORD: Where does Mr. Kent come?

Mr. MUNRO: The Prime Minister's office.

Some hon. MEMBERS: Agreed.

Mr. MUNRO: Mr. Chairman, I have one other change. I was incorrect when I said there were no other changes.

Four gentlemen have been present at all the hearings. Although they have not given oral evidence before the committee they have been present and rendered advice, in the background, and assisted considerably in the committee's deliberations. They are government officials who, unfortunately and inadvertently have been omitted. I would like to mention the following: Mr. G. J. MacKenzie, Department of National Revenue, Mr. C. Grandy, Department of National Revenue; Mr. A. J. Butler, Department of National Revenue, and Mr. J. McGregor, Unemployment Insurance Commission. I would like agreement that these names be added.

Some hon. MEMBERS: Agreed.

Mr. BASFORD: It seems to me that Mr. Knowles is in the same category.

Some hon. MEMBERS: Agreed.

Mr. KNOWLES: I think some members are missing the point.

The CHAIRMAN (*Mr. Cameron*): Referring back to appendix B (1), it should read: "Canadian Pulp and Paper Association". The word "association" was left out.

Some hon. MEMBERS: Agreed.

The CHAIRMAN (*Mr. Cameron*): Shall the draft report—

Mr. SHEPPARD: If I may interrupt, Mr. Chairman, would you mind adding a further official from the Department of National Revenue, namely Mr. M. F. Sprott.

Some hon. MEMBERS: Agreed.

Mr. CANTELON: Mr. Chairman, before we take the final vote I would like to state our position. We consider that the rejection of our suggestions leaves the Canada pension plan with serious omissions. Nethertheless, we support the principle of the plan and intend to vote in favour of the report in spite of its inadequacies. We make this statement because we wish to maintain our right to criticize these inadequacies when the bill is before the house.

The CHAIRMAN (*Mr. Cameron*): Have you a similar statement to make, Mr. Knowles?

Mr. KNOWLES: Mr. Chairman, I think I have put enough words on the record already. I welcome the fact that we are making progress in a two stage plan. There is room for improvement but we will keep on improving it.

Mr. LLOYD: Mr. Chairman, I have something I would like to put on the record in view of the observations in respect of flat rate pension benefits and the discussions with regard to clause 9. I would like to remind Mr. Knowles, because he did direct some questions earlier to what he called the Lloyds, that as one of them I consider it is my duty to follow up, in the appropriate manner which is open to a government supporter as well as a member of the House of Commons, the objectives we talked about in clause 9, and we should ensure that they come under very active and early consideration.

Mr. KNOWLES: We will be looking for action.

Mr. MUNRO: Mr. Chairman, before calling the final vote I am sure I have the support of all the committee members in thanking you and Mrs. Fergusson and the government officials who have so ably and unselfishly during all these long and tedious hearings carried out their duties and given us all the help we could ever desire.

Mr. AIKEN: Do not forget the poor unfortunate reporters who have been here all during our deliberations.

Mr. MUNRO: Yes, together with all the staff involved.

Mr. BASFORD: Mr. Chairman, may I say that when I was a student I used to think the Senate should be abolished, but after sitting on this committee I think I have changed my opinion. As a member of the House of Commons I want to compliment the senators on their fantastic and faithful service to this committee.

Mr. MUNRO: There is one problem; I am not sure whether Mr. Kent should be regarded as a staff or a governmental official, but whatever his capacity is I wish to thank him.

Mr. KENT: I am a governmental official.

The CHAIRMAN (*Mr. Cameron*): I do not think there are any amendments to the draft report, at least that I can recall.

Mr. WILLARD: There is one amendment which Mr. Knowles made, which was passed.

The CHAIRMAN (*Mr. Cameron*): Yes, we went back to subparagraph (iii) of paragraph 7, which was amended. In accordance with your motion, is it agreed that the report, as amended, be—

Mr. KNOWLES: Did we pass appendix D?

Mr. MUNRO: Yes.

Mr. KNOWLES: Yes, we did as we were going through it, but have we passed the amendment itself?

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): I have not a copy of appendix D.

Mr. MUNRO: It is appendix C.

Some hon. MEMBERS: Carried.

The CHAIRMAN (*Mr. Cameron*): Now, I will call for a motion that the joint chairmen report the respective houses the findings of this committee in respect of Bill No. C-136. Moved by Mr. Knowles—

Mr. AIKEN: Mr. Chairman, does the committee report to the Senate as well?

The CHAIRMAN (*Mr. Cameron*): Have I a seconder for the motion?

Mr. MUNRO: I second the motion.

The CHAIRMAN (*Mr. Cameron*): It is moved by Mr. Knowles, seconded by Mr. Munro, that the joint chairmen report to their respective houses the findings of this committee respecting Bill No. C-136.

Motion agreed to.

Can anybody think of anything that has to be done now?

On behalf of myself I would like to express my appreciation of the assistance and co-operation received from the committee. You have overlooked many of my obvious deficiencies, and this I appreciate. Thank you very much. I also wish to thank the departmental officials and all those who have assisted in our work.

My co-chairman, Senator Fergusson, would also like to make a comment.

Hon. Mrs. FERGUSSON: I also would like to thank the members of the committee for the consideration and co-operation they have given me as the Joint Chairman of this committee every time that I was Chairman of a meeting.

Perhaps in the first days of our meetings I should have told the members of this committee that for some years before my appointment to the Senate I had represented in New Brunswick the Department of National Health and Welfare as regional director for family allowances. When the Old Age Security Act was passed, it was my duty, and really I considered it my privilege, to organize and put into effect payments under this act in my own province. I was very glad to hear so many commendatory remarks regarding the old age security because I feel strongly that it is probably the best piece of social legislation that the federal government has ever passed up to the present time. I am not biased because, as the director who set up the organization in New Brunswick, I had to see hundreds of people who benefited under this, and I could not help but realize what a great benefit conferred on people perhaps in the less wealthy provinces such as my own.

I would like to tell you also that I have sat on two joint committees, one on capital and corporal punishment and lotteries, and another on Indian affairs. Those were joint committees of the Senate and the House of Commons. I cannot tell you how impressed I have been by the attention and by the attendance and work done by this committee as compared to what was done by the other committees. Often we would have to wait for a quorum for a long time, and I must say that both houses were at fault. However, never have we had this experience here. We never had to keep witnesses waiting, which I particularly remember was the case in the Indian affairs committee. It infuriated some of the witnesses who had come from a great distance, and I can well understand it.

I just wanted to tell you how wonderfully I think the members of this committee have worked on this special piece of legislation, and although the news commentators and the news reporters do not seem to think so, I think that if they had bothered to come and listen to all these meetings and had heard all the evidence that we have heard, I am sure they would think that, although they do not now, every day and in every way we are all getting better and better. I am sure we are also. I thank you for all your kindness to me.

The CHAIRMAN (*Mr. Cameron*): The meeting is adjourned.

APPENDIX A67

PENSION ACT

Section 37. (1) Except as otherwise provided in this Act, in any case where pension may be awarded under section 13 in respect of the death of a member of the forces, his widow is entitled to a pension if

(*a*) she was married to him before he was granted a pension for the injury or disease that resulted in his death, or

(*b*) her marriage to him took place after the grant of such pension, and

(i) his death occurred one year or more after the date of the marriage, or

(ii) his death occurred less than one year after the date of the marriage and the Commission is of the opinion that he had, at the date of the marriage, a reasonable expectation of surviving for at least one year thereafter.

WAR VETERANS ALLOWANCE ACT

Section 11. Notwithstanding anything in this Act, no allowance under section 3 or 4 shall be paid to a widow of a veteran and no allowance under section 5 shall be awarded to the surviving spouse of a veteran if such veteran dies within one year from the date of his or her marriage, unless, in the opinion of the Board, such veteran was at the time of that marriage in such a condition of health as would justify him or her in having an expectation of life of at least one year.

REFERENCES TO EVIDENCE ADDUCED

I—Individuals, Associations, Organizations, Firms

The following persons appeared before the Committee and presented briefs which were printed as appendices.

	See Issues Nos.
Mr. S. H. Thompson, Toronto, Ontario	12
Mr. Robert J. Myers, Washington, D.C.	14, 15
Mr. G. N. Watson, Toronto, Ontario	13
Mr. R. C. Dowsett, Toronto, Ontario	16
Mr. D. E. Kilgour, Winnipeg, Manitoba	17
Mr. Wallace R. Joyce, Toronto, Ontario	22
Mr. Edward Ruse, Toronto, Ontario	22
Mr. W. M. Anderson, Toronto, Ontario	15
Mr. Samuel Eckler, Toronto, Ontario	18
Dr. Robert H. Clarke, Vancouver, B.C.	19, 20

The following associations, organizations, firms appeared before the Committee and presented briefs which were printed as appendices.

	See Issues Nos.
The Canadian Life Insurance Officers Associations:	12, 13
Messrs. H. L. Sharpe, M. K. Kenny, B. T. Holmes, D. E. Kilgour, G. R. Berry, G. E. Brown, J. M. Linnell, J. W. Popkin, J. L. Clare, J. A. Tuck, Q.C., Frank G. Dimock.	

	See Issues Nos.
The Retail Council of Canada: Messrs. A. J. McKichen, E. E. Went.	14
The Canadian Welfare Council: Miss Marian Murphy and Messrs. B. M. Alexandor, Q.C., Eric Hardy, Horace S. Racine, M.L.A., Reuben Baetz, Brian J. Iverson and Dr. R. E. G. Davis.	15
The Congress of Canadian Women: Mrs. Helen Weir.	15
The Senior Women's Committee for Pension Increase: Mrs. Ethel Neilson.	15
The E. B. Eddy Company: Messrs. W. D. Moffatt, D. Hutton.	16
The Canadian Federation of Agriculture: Messrs. David Kirk, Lorne Hurd.	16
William H. Mercer Limited: Mr. C. J. Woods, F.I.A., F.S.A.	16
Life Underwriters Association of Canada: Messrs. J. L. Etherington, R. L. Kayler, Fraser Deacon, R. A. Mitchell.	17
The Canadian Chamber of Commerce: Messrs. A. J. Little, H. F. Hoerig, D. L. Morrell, Dr. W. H. Cruickshank, W. J. McNally, R. B. MacPherson, Léon Mondoux, R. S. Davies.	17
The Winnipeg Chamber of Commerce: Mr. G. R. Hunter, Q.C.	17
The Canadian Manufacturers' Association: Messrs. H. B. Style, C. C. Belden, Willis George, L. E. Marrs, H. Taylor, J. F. Villeneuve, J. C. Whitelaw, L. F. Wills.	18
Alexander Services and Dubley Funnell, Consulting Actuary: Messrs. Norman G. Kirkland and J. W. Moreland.	18
Federal Superannuates National Association: Messrs. Fred W. Whitehouse, Walter R. McLaren.	19
The National Legislative Committee International Railway Brotherhoods: Messrs. Paul Raymond, J. H. Clarke, J. A. Huneault, S. Wells.	19
The Canadian Association of Social Workers: Messrs. Harry M. Morrow, M. S. W., Walter Lyons, M.S.W. and Miss Florence Philpott.	20

	See Issues Nos.
The Canadian Labour Congress:	20
Messrs. Claude Jodoin, Donald McDonald, A. Andras, Russel Irvine.	
The Government of Ontario:	21
Messrs. L. Coward, D. W. Stevenson	
Canadian Teachers' Federation:	21
Messrs. George MacIntosh, Dr. Gerald Nason, Norman M. Goble, Tom Parker, Harry Cuff, Alfred H. Kingsett, Miss Marie Duhaime, Miss Ruby McLean, Miss Nora Hodgins, Messrs. William Jones, David R. Brown, F.S.A., Douglas Beaman, Robert Gordon.	
The Canadian Construction Association:	21
Messrs. P. D. Dalton, M. C. Stafford, G. Desmarais, S. D. C. Chutter, P. Stevens.	
Chesapeake and Ohio Railway Company, Great Northern Railway Company, Midland Railway Company of Manitoba, New York Central Railroad Company, Norfolk and Western Railway Company and Northern Pacific Railway Company:	22
Mr. Cuthbert Scott, Q.C.	
The International Association of Firefighters:	22
Messrs. Bernard Bonser, Richard Chamber, O. Bolton, John Jessop, Ernest Haché, Wes Chatterton.	

II—List of Briefs of Persons who did not appear as Witnesses but which were printed

	See Issues nos.
Mr. Earl Sager, Madoc, Ontario	23
Mr. P. Ackerman, P. Eng., Montreal, Quebec	23
Mr. Douglas R. Butt, Willowdale, Ontario	23
Mr. Robert A. Nix, Toronto, Ontario	23
Mr. Donald C. Macgregor, Toronto, Ontario	13
Canadian Pulp and Paper	16
United Fishermen and Allied Workers' Union	22
Senior Citizens Advancement Committee	22
Age and Opportunity Bureau	22

III—List of Officials of the Government of Canada who appeared as Witnesses

	See Issues nos.
Department of National Health and Welfare:	1, 2, 3, 4, 5, 6,
Dr. Joseph W. Willard, Deputy Minister of Welfare.	7, 8, 9, 10, 11, 21, 22, 23, 24.
Mr. John E. Osborne, Director, Research and Statistics Division.	4, 6, 7, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24.

	See Issues Nos.
Mr. J. A. Blais, Director of Family Allowances and Old Age Security Division.	9
Mr. Robert Curran, Legal Adviser	6, 7
Department of National Revenue, Taxation Division:	
Mr. D. H. Sheppard, Assistant Deputy Minister of Taxation.	2, 4, 6, 7
Department of Finance:	
Mr. Robert Bryce, Deputy Minister	8, 11
Mr. H. D. Clark, Director of Pensions and Social Insurance	6, 11
Comptroller of the Treasury:	
Mr. Bruce MacDonald, Director Operations and Methods Branch	6
Prime Minister's Office:	
Mr. Tom Kent, Policy Secretary	2, 4, 6, 8, 9, 10.
Department of Justice:	
Mr. D. S. Thorson, Assistant Deputy Minister	2, 3, 4, 5, 6, 7, 8, 9.
Department of Insurance:	
Mr. E. E. Clarke, Chief Actuary	10, 11.
Mr. T. Hall, Actuary	10.
Mr. Z. Jarkiewicz, Actuary	10.
Mr. P. Treuil, Actuary	10.
Unemployement Insurance Commission:	
Mr. Robert L. Beatty, Assistant Director	7

IV—List of Exhibits filed with the Committee

1. A Table intituled "1961 Average of Non-Farm Individuals"
2. Canadian Pacific Railway Company "Pension Plan"
3. Canadian National Railways "Pension Plan"
4. Canadian National Pension Board 1963 Annual Report
5. Canadian Pacific Railway Company Pension Trust Fund and Pension Statistics year 1963.
6. By: Mr. H. Latulippe, M.P. "A Resume of his speech delivered in the
   (a) House of Commons, on Tuesday, November 17, 1964;
   (b) A document intituled: "Laissons bien aller ce qui va bien:" "Réparons simplement ce qui va mal:"

By H. Latulippe, M.P.

BINDING SECT. FEB 17 1969